

FRANKFORT PUBLIC SERVICE DISTRICT

**WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

DATE OF CLOSING: MAY 6, 2008

BONDS TRANSCRIPT

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FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

BOND TRANSCRIPT

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FRANKFORT PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

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FRANKFORT PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF FRANKFORT PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$400,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF FRANKFORT PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. Frankfort Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Mineral County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed improvements and extensions to the existing public waterworks system of the Issuer, consisting of the acquisition of Wiley Ford Water Company, Inc. (the "Project"), (the existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System").

C. The Issuer intends to permanently finance the costs of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund) in the total aggregate principal amount of \$400,000 (the "Series 2008 A Bonds"), to permanently finance the costs of the Project.

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

F. It is in the best interests of the Issuer that its Series 2008 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2008 A Bonds as to liens, pledge and source of and security for payment, which obligations are the Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$233,000 (the "Series 1976 Bonds"), and Water Revenue Bonds, Series 1993 (United States Department of Agriculture) dated December 2, 1993 issued in the original aggregate principal amount of \$2,000,000 (the "Series 1993 Bonds" and, collectively, the "Prior Bonds").

The Series 2008 A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all respects. Prior to the issuance of the Series 2008 A Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met, and (ii) the written consent of certain of the Holders of the Prior Bonds to the issuance of the Series 2008 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured

by revenues or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolutions.

H. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest, if any, on the Series 2008 A Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, and operation of the Project and the System and issuance of the Series 2008 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2008 A Bonds or such final order will not be subject to appeal or rehearing.

J. The Project has been reviewed and determined to be technically and financially feasible by the Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2008 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2008 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2008 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the

functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly selected by the Governing Body.

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

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

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bonds" means, collectively, the Series 2008 A Bonds, the Prior Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2008 A Bonds for all or a portion of the proceeds of the Series 2008 A Bonds from the Authority.

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

"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 Engineers" means any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

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

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

"Governing Body" or "Board" means the public service board of the Issuer, as it may now or hereafter be constituted.

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

"Grants" means all monies received by the Issuer on account of any Grant for the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Issuer" means Frankfort Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Mineral County, West Virginia.

"Loan Agreement" means, the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2008 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2008 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2008 A Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2008 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the Commission or other entity designated as such for the Series 2008 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1976 Bonds and Series 1993 Bonds.

"Prior Resolutions" means, collectively, the resolutions adopted by Frankfort Public Service District, authorizing the Prior Bonds and hereby assumed by the Issuer.

"Project" means the Project as described in Section 1.02B hereof.

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

(a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant 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, Inc. or Standard & Poor's Corporation.

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code or any predecessor to the Code.

"Repair and Replacement Fund" means the Repair and Replacement Fund continued by Section 5.01 hereof.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2008 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts of the Series 2008 A Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

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

"Series 1976 Bonds" means the Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$233,000.

"Series 1993 Bonds" means the Water Revenue Bonds, Series 1993 (United States Department of Agriculture), dated December 2, 1993, issued in the original aggregate principal amount of \$2,000,000.

"Series 2008 A Bonds" means the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 2008 A Bonds Project Trust Fund" means the Series 2008 A Bonds Project Trust Fund established by Section 5.01 hereof.

"Series 2008 A Bonds Reserve Account" means the Series 2008 A Bonds Reserve Account established in the Series 2008 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 2008 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2008 A Bonds in the then current or any succeeding year.

"Series 2008 A Bonds Sinking Fund" means the Series 2008 A Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2008 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2008 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2008 A Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Repair and Replacement Fund, the Sinking Funds and the Reserve Accounts.

"System" means the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks systems from any sources whatsoever.

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

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF THE PROJECT

Section 2.01. Authorization of the Project. There is hereby authorized and ordered the acquisition of the Project, at an estimated cost of \$400,000. The proceeds of the Series 2008 A Bonds hereby authorized shall be applied as provided in Article VI hereof.

The cost of the Project is estimated not to exceed \$400,000 of which will be obtained from the proceeds of the Series 2008 A Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. The Series 2008 A Bonds shall be issued as a single bond, designated as "Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund)," in the principal amount of \$400,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2008 A Bonds remaining after funding of the Series 2008 A Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 2008 A Bonds, if any, shall be deposited in or credited to the Series 2008 A Bonds Project Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2008 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2008 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2008 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2008 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2008 A Bonds. The Series 2008 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall have such terms as set forth in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2008 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed

thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2008 A Bonds shall cease to be such officer of the Issuer before the Series 2008 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. Any Series 2008 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 3.04. Authentication and Registration. The Bond Registrar for the Series 2008 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2008 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2008 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2008 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2008 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2008 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2008 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2008 A Bonds or transferring the registered Series 2008 A Bonds are exercised, all Series 2008 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2008 A Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2008 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2008 A Bonds or, in the case of any proposed redemption of Series 2008 A Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2008 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2008 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2008 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 2008 A Bonds shall be secured by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2008 A Bonds and the Prior Bonds and to make all other payments

provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2008 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2008 A Bonds to the original purchasers upon receipt of the documents set forth below:

- A. If other than the Authority, a list of the names in which the Series 2008 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2008 A Bonds to the original purchasers;
- C. An executed and certified copy of the Bond Legislation;
- D. An executed copy of the Loan Agreement; and
- E. The unqualified approving opinion of bond counsel on the Series 2008 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2008 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2008 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FRANKFORT PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$ _____

KNOW ALL MEN BY THESE PRESENTS: This ____ day of _____, 2008, that FRANKFORT PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Mineral County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, ____ to and including _____ 1, 20____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 2008.

This Bond is issued to pay a portion of the costs of acquisition of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"). The existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 2008, and a Supplemental

Resolution duly adopted by the Issuer on _____, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE WATER REVENUE BONDS, SERIES 1976 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 16, 1976, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$233,000 (THE "SERIES 1976 BONDS") AND THE WATER REVENUE BONDS, SERIES 1993 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED DECEMBER 2, 1993 ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000 (THE "SERIES 1993 BONDS" AND, COLLECTIVELY THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2008 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2008 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2008 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, 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.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, FRANKFORT PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto
affixed and attested by its Secretary, and has caused this Bond to be dated the day and year
first written above.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

(Form of)

EXHIBIT A

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 \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer 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:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2008 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of "Amended Schedule". Upon completion of the Project, the Issuer will file with the Authority and the Council a schedule, the form of which will be provided by the Council, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Renewal and Replacement Fund (established as Depreciation Reserve by Prior Resolution and hereby renamed and continued);
- (3) Series 1976 Bonds Reserve Account (established by Prior Resolution);
- (4) Series 1993 Bonds Reserve Account (established by Prior Resolution); and
- (5) Series 2008 A Bonds Project Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2008 A Bonds Sinking Fund; and
- (2) Series 2008 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation 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 herein provided. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the National Finance Office, the amounts required to pay interest on the Prior Bonds, as required by the Prior Resolutions.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the National Finance Office, the amounts required to pay principal of the Prior Bonds, as required by the Prior Resolutions; and (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2008 A Bonds, for deposit in the Series 2008 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2008 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2008 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (I) remit to the Depository Bank, the amounts required by the Prior Resolutions for deposit in the respective Reserve Accounts for the Prior Bonds; and (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2008 A Bonds, if not fully funded upon issuance of the Series 2008 A Bonds, for deposit in the Series 2008 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2008 A Bonds Reserve Requirement, until the amount in the Series 2008 A Bonds Reserve Account equals the Series 2008 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2008 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 2008 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 Depository Bank for deposit in the Renewal and Replacement Fund, the amounts required by the Prior Resolutions and a sum equal to 2 ½% 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 Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

Monies in the Series 2008 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2008 A Bonds as the same shall become due. Monies in the Series 2008 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2008 A Bonds as the same shall come due, when other monies in the Series 2008 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account, shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during the Project, be deposited in the Series 2008 A Bonds Project Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2008 A Bonds, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2008 A Bonds Reserve Account which result in a reduction in the balance therein to below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2008 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2008 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

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 2008 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2008 A Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve account payments with respect to the Series 2008 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

D. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

ARTICLE VI

BOND PROCEEDS; DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2008 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2008 A Bonds, there shall first be deposited with the Commission in the Series 2008 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2008 A Bonds for the period commencing on the date of issuance of the Series 2008 A Bonds and ending 6 months after the estimated date of completion of the Project.

B. Next, from the proceeds of the Series 2008 A Bonds, there shall be deposited with the Commission in the Series 2008 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2008 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2008 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2008 A Bonds Project Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2008 A Bonds.

D. After completion of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2008 A Bonds shall be applied as directed by the Council.

The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project shall be made monthly.

Section 6.02. Except as provided in Section 6.01 hereof, disbursements from the Series 2008 A Bonds Project Trust Fund shall be made only after submission to and approval from the Council, of a certificate, signed by an Authorized Officer stating that:

(a) None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(b) Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

- (c) Each of such costs has been otherwise properly incurred; and
- (d) Payment for each of the items proposed is then due and owing.

The Issuer shall expend all proceeds of the Series 2008 A Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

Pending such application, monies in the Series 2008 A Bonds Project Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2008 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2008 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2008 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2008 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 2008 A Bonds shall be secured by a first lien on the Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2008 A Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered August 28, 2007, in Case 07-0001-PWD-19A and Final Order entered July 25, 2007 in Case No. 07-0222-W-30B , and such rates are hereby adopted.

So long as the Series 2008 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take

all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2008 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Series 2008 A Bonds and the Prior Bonds are outstanding and except as otherwise required by law or with the written consent of the Council, the Authority and the holders of the Prior Bonds, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2008 A Bonds, immediately be remitted to the Commission for deposit in the Series 2008 A Bonds Sinking Fund and applied to the payment of principal of and interest, if any, on the Series 2008 A Bonds. Any balance remaining after the payment of the Series 2008 A Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amount required to be paid into said fund by other provisions of this Bond Legislation. No

sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2008 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2008 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2008 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2008 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2008 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2008 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2008 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 Prior 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 then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The 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. In the event the foregoing limitation is waived or when the Prior Bonds are no longer outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, 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 actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

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

(3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period herein above referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2008 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2008 A Bonds.

No Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of the Parity Bonds, and the Issuer then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books: Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the Council such documents and information as they may reasonably require in connection with the acquisition of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 2008 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2008 A Bonds, requesting the same, an annual report containing the following:

- (A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.
- (B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and, to the extent legally required, in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto), and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2008 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2008 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

The Issuer shall permit the Authority and the Council, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of the Project, the Issuer shall also provide the Authority and the Council, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the Council with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2008 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2008 A Bonds and all

other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit in the Series 2008 A Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 2008 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2008 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the Council and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the

funding plan as submitted to the Authority and the Council is sufficient to pay the costs of the Project.

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Authority and the Council covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, the Council and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall employ qualified operating personnel properly certified by the State during the entire term of the Loan Agreement.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. Except as required by law, the Issuer will not render or cause to be rendered any free services of any nature by the System, nor

will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the

County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(6) FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall require all contractors, if any, engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors, if any, engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the Council and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.17. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer has obtained all permits required by State and federal laws for the acquisition of the Project and all orders and approvals from the Public Service Commission

of West Virginia and the Council necessary for the acquisition of the Project, the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Reserved.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2008 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2008 A Bonds and shall be on a parity with the Prior Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other state, federal or local bodies in regard to the acquisition of the Project and the operation, maintenance and use of the System.

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

Section 7.22. Contracts: Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2008 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2008 A Bonds held in “contingency” as set forth in the respective schedules attached to the certificate of the Consulting Engineer.

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

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 the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2008 A Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2008 A Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2008 A Bonds as a condition to issuance of the Series 2008 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2008 A Bonds as may be necessary in order to maintain the status of the Series 2008 A Bonds as public purpose bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use

of the proceeds of the Series 2008 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, from which the proceeds of the Series 2008 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2008 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2008 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2008 A Bonds;
or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2008 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2008 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond;

(3) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(4) If default occurs under the Prior Bonds or the Prior Resolutions.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (I) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2008 A Bonds shall be on a parity with the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and

making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2008 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then 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 Owners of the Series 2008 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2008 A Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2008 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2008 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2008 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2008 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2008 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2008 A Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2008 A Bonds.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

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

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

Adopted this 28th day of April, 2008.

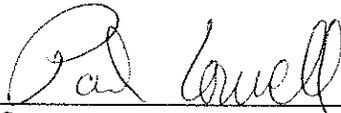

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FRANKFORT PUBLIC SERVICE DISTRICT on the 28th day of April, 2008.

Dated: May 6, 2008

[SEAL]


Secretary

04.23.08
306370.00002

EXHIBIT A

Loan Agreement included in bond transcript as Documents 3.

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF FRANKFORT PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Frankfort Public Service District (the "Issuer") has duly and officially adopted a bond resolution on April 28, 2008 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF FRANKFORT PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$400,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS;

APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Resolution when used herein;

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer (the "Bonds"), in the aggregate principal amount not to exceed \$400,000 and has authorized the execution and delivery of the loan agreement relating to the Series 2008 A Bonds, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provisions, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates, the sale price and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF FRANKFORT PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$400,000. The Series 2008 A Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2048, and shall bear no interest. The principal of the Series 2008 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, to and including March 1, 2048, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2008 A Bonds. The Series 2008 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2008 A Bonds.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate First Peoples Community Federal Credit Union, Cumberland, Maryland, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2008 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2008 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2008 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2008 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2008 A Bonds shall be deposited in or credited to the Series 2008 A Bonds Project Trust Fund for payment of the costs of the Project.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about May 6, 2008, to the Authority pursuant to the Loan Agreement.

Section 11. The Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

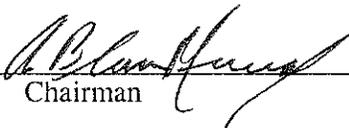
Section 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer hereby approves and accepts all contracts relating to the financing, the Project and the Chairman is hereby authorized and directed to execute and deliver all such contracts.

Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 28th day of April, 2008.

FRANKFORT PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Frankfort Public Service District on the 28th day of April, 2008.

Dated: May 6, 2008.

[SEAL]


Secretary

04.23.08
306370.00002

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council"), and the governmental agency designated below (the "Governmental Agency").

FRANKFORT PUBLIC SERVICE DISTRICT

(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together,

as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by the Act and having available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with money in the Infrastructure Fund, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "Council," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.5 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.6 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

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

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

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

ARTICLE II

The Project and the System

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

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

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

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime

contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate engineering services satisfactory to the Council and the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, the Council and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

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

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

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

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

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as

possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

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

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount

equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

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

(iii) That the Governmental Agency shall complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds

outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the prior written consent of the Authority and the Council; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

(vii) That the Governmental Agency will not render any free services of the System;

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Governmental Agency's

revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Governmental Agency shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof;

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

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

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency may not redeem any Local Bonds by it without the written consent of the Authority and the Council and otherwise in compliance with this Loan Agreement;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for the Local Bonds;

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the

Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xxi) That the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

(xxiii) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B attached to the certificate of the Consulting Engineer. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds available due to bid/construction/project underruns;

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment due to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

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

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency, if any, may be set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority and the Council.

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

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

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

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

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

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

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

7.10 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Council if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority and the Council pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

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

FRANKFORT PUBLIC SERVICE
DISTRICT

(SEAL)

Attest:

Paul Brull

Its: Secretary

By:

A. Blaine King
Its: Chairperson

Date: May 6, 2008

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

Attest:

Barbara B Meadows

Its: Secretary-Treasurer

By:

[Signature]
Its: Executive Director

Date: May 6, 2008

{C1339295.1}

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, _____ hereby certify as follows:

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

2. The Bonds are being issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by [DEP/BPH/PSC] and any change orders approved by the Issuer, the Council and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least _____ years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A and my firm¹ has ascertained that all _____

¹If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____,

successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the [DEP/BPH/PSC] and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof, ²the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project set forth in the Schedule B attached hereto and approved by the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" for the Project.

WITNESS my signature and seal on this ____ day of _____, ____.

[SEAL]

By: _____
West Virginia License No. _____

Esq.] and delete "my firm has ascertained that".

²If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of _____ of even date herewith," at the beginning of (ix).

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

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

Ladies and Gentlemen:

We are bond counsel to _____ (the
“Governmental Agency”), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the “Loan Agreement”), between the Governmental Agency and the West Virginia Water Development Authority (the “Authority”), on behalf of the West Virginia Infrastructure and Jobs Development Council (the “Council”), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, (the “Local Bonds”), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of \$_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the “Schedule Y” attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and
(ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the “Local Statute”), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the “Local Act”), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior

to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

3. The Governmental Agency is a duly organized and validly existing _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

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

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

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

Very truly yours,

EXHIBIT C

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
 Name of Bond Issue(s) _____
 Type of Project _____ Water _____ Wastewater _____
 Fiscal Year _____ Report Month _____

<u>Item</u>	<u>Current Month</u>	<u>Total Year To Date</u>	<u>Budget Year To Date</u>	<u>Budget Year To Date Minus Total Year To Date</u>
1. Gross Revenues	_____	_____	_____	_____
2. Operating Expenses	_____	_____	_____	_____
3. Bond Payments:				
<u>Type of Issue</u>				
Clean Water SRF	_____	_____	_____	_____
Drinking Water TRF	_____	_____	_____	_____
Infrastructure Fund	_____	_____	_____	_____
Water Development Authority	_____	_____	_____	_____
Rural Utilities Service	_____	_____	_____	_____
Economic Development Administration	_____	_____	_____	_____
Other (Identify)	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
4. Renewal and Replacement Fund Deposits	_____	_____	_____	_____

 Name of Person Completing Form

 Address

 Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ($\$1,200/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ($\$900/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

The Governmental Agency must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.

EXHIBIT D

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest	\$
Principal	\$
Total:	\$
Reserve Account:	\$

Witness my signature this ____ day of _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$400,000
Purchase Price of Local Bonds \$400,000

The Local Bonds shall bear no interest. Commencing December 1, 2008, principal on the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall submit its payments monthly to the Commission which will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

The Local Bonds are fully registered in the name of the Authority as to interest, if any, and principal and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Governmental Agency's system as provided in the Local Act.

The Governmental Agency may prepay the Local Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to liens, pledge and source of and security for payment with the following obligations of the Governmental Agency:

- (i) Frankfort Public Service District Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$233,000; and
- (ii) Frankfort Public Service District Water Revenue Bonds, Series 1993 (United States Department of Agriculture) dated December 2, 1993, issued in the original aggregate principal amount of \$2,000,000.

\$400,000

Frankfort Public Service District
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
06/01/2008	-	-	-
09/01/2008	-	-	-
12/01/2008	2,532.00	-	2,532.00
03/01/2009	2,532.00	-	2,532.00
06/01/2009	2,532.00	-	2,532.00
09/01/2009	2,532.00	-	2,532.00
12/01/2009	2,532.00	-	2,532.00
03/01/2010	2,532.00	-	2,532.00
06/01/2010	2,532.00	-	2,532.00
09/01/2010	2,532.00	-	2,532.00
12/01/2010	2,532.00	-	2,532.00
03/01/2011	2,532.00	-	2,532.00
06/01/2011	2,532.00	-	2,532.00
09/01/2011	2,532.00	-	2,532.00
12/01/2011	2,532.00	-	2,532.00
03/01/2012	2,532.00	-	2,532.00
06/01/2012	2,532.00	-	2,532.00
09/01/2012	2,532.00	-	2,532.00
12/01/2012	2,532.00	-	2,532.00
03/01/2013	2,532.00	-	2,532.00
06/01/2013	2,532.00	-	2,532.00
09/01/2013	2,532.00	-	2,532.00
12/01/2013	2,532.00	-	2,532.00
03/01/2014	2,532.00	-	2,532.00
06/01/2014	2,532.00	-	2,532.00
09/01/2014	2,532.00	-	2,532.00
12/01/2014	2,532.00	-	2,532.00
03/01/2015	2,532.00	-	2,532.00
06/01/2015	2,532.00	-	2,532.00
09/01/2015	2,532.00	-	2,532.00
12/01/2015	2,532.00	-	2,532.00
03/01/2016	2,532.00	-	2,532.00
06/01/2016	2,532.00	-	2,532.00
09/01/2016	2,532.00	-	2,532.00
12/01/2016	2,532.00	-	2,532.00
03/01/2017	2,532.00	-	2,532.00
06/01/2017	2,532.00	-	2,532.00
09/01/2017	2,532.00	-	2,532.00
12/01/2017	2,532.00	-	2,532.00
03/01/2018	2,532.00	-	2,532.00
06/01/2018	2,532.00	-	2,532.00
09/01/2018	2,532.00	-	2,532.00
12/01/2018	2,532.00	-	2,532.00
03/01/2019	2,532.00	-	2,532.00

\$400,000

Frankfort Public Service District
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
06/01/2019	2,532.00	-	2,532.00
09/01/2019	2,532.00	-	2,532.00
12/01/2019	2,532.00	-	2,532.00
03/01/2020	2,532.00	-	2,532.00
06/01/2020	2,532.00	-	2,532.00
09/01/2020	2,532.00	-	2,532.00
12/01/2020	2,532.00	-	2,532.00
03/01/2021	2,532.00	-	2,532.00
06/01/2021	2,532.00	-	2,532.00
09/01/2021	2,532.00	-	2,532.00
12/01/2021	2,532.00	-	2,532.00
03/01/2022	2,532.00	-	2,532.00
06/01/2022	2,532.00	-	2,532.00
09/01/2022	2,532.00	-	2,532.00
12/01/2022	2,532.00	-	2,532.00
03/01/2023	2,532.00	-	2,532.00
06/01/2023	2,532.00	-	2,532.00
09/01/2023	2,532.00	-	2,532.00
12/01/2023	2,532.00	-	2,532.00
03/01/2024	2,532.00	-	2,532.00
06/01/2024	2,532.00	-	2,532.00
09/01/2024	2,532.00	-	2,532.00
12/01/2024	2,532.00	-	2,532.00
03/01/2025	2,532.00	-	2,532.00
06/01/2025	2,532.00	-	2,532.00
09/01/2025	2,532.00	-	2,532.00
12/01/2025	2,532.00	-	2,532.00
03/01/2026	2,532.00	-	2,532.00
06/01/2026	2,532.00	-	2,532.00
09/01/2026	2,532.00	-	2,532.00
12/01/2026	2,532.00	-	2,532.00
03/01/2027	2,532.00	-	2,532.00
06/01/2027	2,532.00	-	2,532.00
09/01/2027	2,532.00	-	2,532.00
12/01/2027	2,532.00	-	2,532.00
03/01/2028	2,532.00	-	2,532.00
06/01/2028	2,532.00	-	2,532.00
09/01/2028	2,532.00	-	2,532.00
12/01/2028	2,532.00	-	2,532.00
03/01/2029	2,532.00	-	2,532.00
06/01/2029	2,532.00	-	2,532.00
09/01/2029	2,532.00	-	2,532.00
12/01/2029	2,532.00	-	2,532.00
03/01/2030	2,532.00	-	2,532.00

\$400,000

Frankfort Public Service District
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
06/01/2030	2,532.00	-	2,532.00
09/01/2030	2,532.00	-	2,532.00
12/01/2030	2,532.00	-	2,532.00
03/01/2031	2,532.00	-	2,532.00
06/01/2031	2,532.00	-	2,532.00
09/01/2031	2,532.00	-	2,532.00
12/01/2031	2,532.00	-	2,532.00
03/01/2032	2,532.00	-	2,532.00
06/01/2032	2,532.00	-	2,532.00
09/01/2032	2,532.00	-	2,532.00
12/01/2032	2,532.00	-	2,532.00
03/01/2033	2,532.00	-	2,532.00
06/01/2033	2,532.00	-	2,532.00
09/01/2033	2,532.00	-	2,532.00
12/01/2033	2,532.00	-	2,532.00
03/01/2034	2,532.00	-	2,532.00
06/01/2034	2,531.00	-	2,531.00
09/01/2034	2,531.00	-	2,531.00
12/01/2034	2,531.00	-	2,531.00
03/01/2035	2,531.00	-	2,531.00
06/01/2035	2,531.00	-	2,531.00
09/01/2035	2,531.00	-	2,531.00
12/01/2035	2,531.00	-	2,531.00
03/01/2036	2,531.00	-	2,531.00
06/01/2036	2,531.00	-	2,531.00
09/01/2036	2,531.00	-	2,531.00
12/01/2036	2,531.00	-	2,531.00
03/01/2037	2,531.00	-	2,531.00
06/01/2037	2,531.00	-	2,531.00
09/01/2037	2,531.00	-	2,531.00
12/01/2037	2,531.00	-	2,531.00
03/01/2038	2,531.00	-	2,531.00
06/01/2038	2,531.00	-	2,531.00
09/01/2038	2,531.00	-	2,531.00
12/01/2038	2,531.00	-	2,531.00
03/01/2039	2,531.00	-	2,531.00
06/01/2039	2,531.00	-	2,531.00
09/01/2039	2,531.00	-	2,531.00
12/01/2039	2,531.00	-	2,531.00
03/01/2040	2,531.00	-	2,531.00
06/01/2040	2,531.00	-	2,531.00
09/01/2040	2,531.00	-	2,531.00
12/01/2040	2,531.00	-	2,531.00
03/01/2041	2,531.00	-	2,531.00

\$400,000
Frankfort Public Service District
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
06/01/2041	2,531.00	-	2,531.00
09/01/2041	2,531.00	-	2,531.00
12/01/2041	2,531.00	-	2,531.00
03/01/2042	2,531.00	-	2,531.00
06/01/2042	2,531.00	-	2,531.00
09/01/2042	2,531.00	-	2,531.00
12/01/2042	2,531.00	-	2,531.00
03/01/2043	2,531.00	-	2,531.00
06/01/2043	2,531.00	-	2,531.00
09/01/2043	2,531.00	-	2,531.00
12/01/2043	2,531.00	-	2,531.00
03/01/2044	2,531.00	-	2,531.00
06/01/2044	2,531.00	-	2,531.00
09/01/2044	2,531.00	-	2,531.00
12/01/2044	2,531.00	-	2,531.00
03/01/2045	2,531.00	-	2,531.00
06/01/2045	2,531.00	-	2,531.00
09/01/2045	2,531.00	-	2,531.00
12/01/2045	2,531.00	-	2,531.00
03/01/2046	2,531.00	-	2,531.00
06/01/2046	2,531.00	-	2,531.00
09/01/2046	2,531.00	-	2,531.00
12/01/2046	2,531.00	-	2,531.00
03/01/2047	2,531.00	-	2,531.00
06/01/2047	2,531.00	-	2,531.00
09/01/2047	2,531.00	-	2,531.00
12/01/2047	2,531.00	-	2,531.00
03/01/2048	2,531.00	-	2,531.00
Total	\$400,000.00	-	\$400,000.00

Yield Statistics

Bond Year Dollars	\$8,077.06
Average Life	20.193 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	-
Bond Yield for Arbitrage Purposes	5.88E-11
All Inclusive Cost (AIC)	5.88E-11

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.193 Years

SCHEDULE Z

None.

**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 29th day of January, 2008.

CASE NO. 06-1320-PWD-W-PC

FRANKFORT PUBLIC SERVICE DISTRICT, a public utility,
Wiley Ford, and WILEY FORD WATER COMPANY, INC.,
a public utility, Wiley Ford, both in Mineral County.

Petition for consent and approval for Frankfort Public Service District
to purchase the stock of the Wiley Ford Water Company, Inc.

ORDER

The Commission approves the purchase of a utility's assets.

BACKGROUND

On September 13, 2006, Frankfort Public Service District requested the Commission's prior consent and approval to purchase the stock and other assets of Wiley Ford Water Company, Inc. Frankfort planned to purchase all 139 shares of Wiley Ford's common stock, which is held by 13 individual owners. Frankfort said that it planned to pay Wiley Ford \$400,000 for the stock and other assets. As of the date of the petition, no written agreement had been prepared for the transaction.

Several extensions of time were granted as the parties worked to finalize an asset purchase proposal, instead of a stock transaction.

On November 27, 2007, Frankfort filed a proposed asset purchase agreement.

On December 7, 2007, Commission Staff advised that the 2006 Sanitary Survey by the Office of Environmental Health Services and Bureau for Public Health noted significant deficiencies in Wiley Ford's system. Final Joint Staff Memorandum p. 2. Once Frankfort acquires the Wiley Ford system, Frankfort plans to develop wells, design and construct a treatment facility, and connect the Wiley Ford system to Frankfort's system, all at a cost of \$540,000. Future projects are proposed to extend service to new customers, address pressure problems at high elevations, replace and/or add fire hydrants, and eliminate purchasing water

from Cumberland, Maryland. Frankfort, unlike Wiley Ford, will have access to low interest loans and grants for such improvements. Id.

Staff also advised that the purchase would not change Frankfort's and Wiley Ford's rates. Id. p. 3. Rates could, however, be changed in a future case.

The West Virginia Infrastructure & Jobs Development Council has committed \$940,000 to this project, with \$400,000 for Frankfort's acquisition and \$540,000 for the initial improvements. Id. p. 3. The loan is at 0% interest with a 40-year term.

Technical Staff advised that the purchase agreement was reasonable and did not provide any party with an undue advantage. Accordingly, Technical Staff recommended that the Commission approve the asset purchase contract, provided that Frankfort obtains bondholder approval and files a revised Infrastructure Council commitment letter to reflect the separate \$400,000 and \$540,000 amounts as outlined above. Id.

Legal Staff agreed with Technical Staff's recommendations, but also recommended that the Commission require notice to be published and to provide for a protest period. If any substantial protests were received, Legal Staff said it would not object to a hearing. Id. pp. 3-4.

Additionally, Legal Staff recommended that, pursuant to W. Va. Code § 16-13A-25, the Commission approve Frankfort obtaining the \$400,000 Infrastructure Council loan to pay for the acquisition of Wiley Ford. Id. p. 4.

On December 14, 2007, the Commission required Frankfort to publish notice to provide an opportunity for the public to comment on the proposed purchase agreement. Comm'n O. p. 3.

Notice was published in the *News-Tribune*, a newspaper in Keyser, Mineral County, on December 28, 2007. See Affidavit of Publication (filed Jan. 22, 2008). The notice provided 20 days for comments to be filed with the Commission.

The comment period expired on January 17, 2008, and to date, no comments or objections have been filed.

DISCUSSION

W. Va. Code § 24-2-12(b) requires a public utility to receive permission from the Commission prior to acquiring the assets of another utility. Under the statute, the Commission is authorized to consent to a proposed transaction, without approving of its terms and conditions, if the transaction is reasonable and does not adversely affect the public and neither party is given an undue advantage. The Commission further is authorized to determine if a hearing is necessary.

The 2006 Sanitary Survey noted significant deficiencies in Wiley Ford's system, and Frankfort plans to develop wells, design and construct a treatment facility, and connect the Wiley Ford system to Frankfort's system. Frankfort also proposes future projects to extend service to new customers, address pressure problems at high elevations, replace and/or add fire hydrants, and eliminate purchasing water from Cumberland, Maryland. Frankfort, unlike Wiley Ford, will have access to low interest loans and grants for such improvements. To date, there has been no opposition to the proposal.

Staff supports the transaction and takes the position that the terms and conditions are reasonable, that neither party is given an undue advantage over the other, that the transaction does not adversely affect the public in this state, and that the transaction likely will have no effect on other utilities. Considering the current status of the Wiley Ford system and Frankfort's plans to improve it, as well as the lack of comments after notice was published, the Commission concludes that it is in the public interest to approve Frankfort's purchase of Wiley Ford's water utility assets, without requiring a hearing.

In the December 14, 2007 order, the Commission advised that they would consider granting its approval, pursuant to W. Va. Code §§ 16-13A-24 and 16-13A-25, soon after the comment period ended, for Frankfort to accept a \$400,000 Infrastructure loan to finance Frankfort's acquisition of the Wiley Ford system. We now authorize Frankfort to accept the \$400,000 Infrastructure loan. The Commission will review the subsequent \$540,000 loan when Frankfort files its proposed plans to improve the system.

Finally, we agree with Staff that the Commission's consent should be conditioned upon Frankfort obtaining bondholder approval and filing a revised Infrastructure Council commitment letter to reflect the separate \$400,000 and \$540,000 amounts as outlined above.

FINDINGS OF FACT

1. On November 27, 2007, Frankfort filed a proposed agreement to purchase Wiley Ford's water utility assets.
2. On December 7, 2007, Staff recommended that Frankfort's proposed acquisition of Wiley Ford's assets should be approved, including receipt of a \$400,000 Infrastructure loan to finance the purchase, provided that Frankfort obtain bondholder approval and file a revised Infrastructure Council commitment letter to reflect the separate \$400,000 and \$540,000 amounts as outlined above. Final Joint Staff Memorandum pp. 2, 4.
3. The Infrastructure Council has committed \$940,000 to this project, with \$400,000 for Frankfort's acquisition and \$540,000 for the initial improvements. Id. p. 3. The loan is at 0% interest with a 40-year term.

4. Notice of the proposed transaction was published in the *News-Tribune*, a newspaper in Keyser, Mineral County, on December 28, 2007. See Affidavit of Publication (filed Jan. 22, 2008). The notice provided 20 days for comments to be filed with the Commission.

5. The comment period expired on January 17, 2008, and to date, no comments or objections have been filed.

CONCLUSIONS OF LAW

1. Considering the current status of the Wiley Ford system and Frankfort's plans to improve it and the lack of comments after notice was published, the Commission should grant its prior consent for Frankfort to acquire the water utility assets of Wiley Ford, pursuant to W. Va. Code § 24-2-12(b), and without requiring a hearing. The terms and conditions of the proposed acquisition are reasonable, neither party is given an undue advantage over the other, the transaction does not adversely affect the public in this state, and the transaction likely will have no effect on other utilities.

2. The Commission should condition its consent upon Frankfort obtaining bondholder approval and filing a revised Infrastructure Council commitment letter to reflect the separate \$400,000 and \$540,000 amounts as outlined above.

3. Pursuant to W. Va. Code §§ 16-13A-24 and 16-13A-25, the Commission should grant its consent for Frankfort to accept a \$400,000 Infrastructure loan to finance Frankfort's acquisition of the Wiley Ford system.

ORDER

IT IS THEREFORE ORDERED that, pursuant to W. Va. Code § 24-2-12(b), and without approving the transaction's underlying terms and conditions, the Commission grants its consent for Frankfort PSD to acquire the water utility assets of Wiley Ford, as is more fully described in the proposed asset purchase contract filed on November 27, 2007.

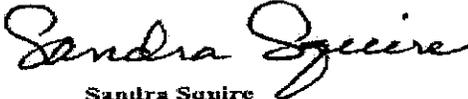
IT IS FURTHER ORDERED that the Commission's consent for Frankfort and Wiley Ford to enter into the asset purchase agreement is conditioned upon Frankfort 1) obtaining bondholder approval, if required, and 2) filing a revised Infrastructure Council commitment letter to reflect the separate \$400,000 and \$540,000 amounts as outlined above. Frankfort shall advise the Commission in writing when each of these conditions has been satisfied, and Frankfort's pleading(s) shall be filed as a closed entry in this case file.

IT IS FURTHER ORDERED that, pursuant to W. Va. Code §§ 16-13A-24 and 16-13A-25, and contingent upon the Commission's receipt of the revised commitment letter described above, the Commission grants its consent for Frankfort to accept a \$400,000 Infrastructure loan to finance Frankfort's acquisition of the Wiley Ford system.

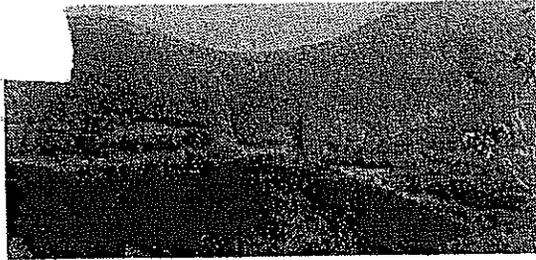
IT IS FURTHER ORDERED that this matter is closed and removed from the Commission's docket of active cases.

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

CLW/sek
061320cg.wpd



BEHIND THE SADDLE IS THE BIRTHPLACE OF NANCY HANKS,
MOTHER OF ABRAHAM LINCOLN

County Commission of Mineral County

150 Armstrong Street
Keyser, West Virginia 26726

X

MICHAEL C. BLAND, COUNTY COORDINATOR

PHONE: (304) 788-5921
(301) 777-0602
FAX: (304) 788-0768
TDD: (304) 788-0568

THE COMMISSIONERS

JANICE LARUE, PRESIDENT
Piedmont, West Virginia

WAYNE C. SPIGGLE
Keyser, West Virginia

CYNTHIA L. PYLES
Keyser, West Virginia

January 15, 2008

Ms. Sandra Squire
Executive Secretary
WV Public Service Commission
P.O. Box 812
Charleston, WV 25323

Re: Case No. 06-1320-PWD-W-PC
Frankfort Public Service District &
Wiley Ford Water Company, Inc.

Dear Ms. Squire:

Per the Order dated December 14, 2007, enclosed is a copy of the affidavit of publication for the Notice of Proposed Sale of the Wiley Ford Water Company, Inc..

Please contact me should you require additional information.

Sincerely,

Michael C. Bland
Michael C. Bland,
County Coordinator

MCB/rlb

cc: Frankfort P.S.D.
Wiley Ford Water Company, Inc.

RECEIVED
2008 JUN 22 AM 8 58
WV PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

RECEIVED
2008 JAN 22 AM 8 58
WVA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

I, as an officer of the News-Tribune, a daily newspaper published at Keyser, Mineral County, West Virginia, hereby certify that the Public Service Commission in the case of Notice of Proposed Sale of Wiley Ford Water Comp

vs. _____

a copy whereof is hereto annexed has been published for 1 consecutive day in said NEWS TRIBUNE, the first publication being on the 28th day of December 2007.

Given under my hand at Keyser this 28th day of December, 2007.

Randy Lewis
Publisher

Publisher's Fee
\$ 48.30

130 Legal Notices

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 14th day of December, 2007.

CASE NO. 06-1320-PWD-W-PC
FRANKFORT PUBLIC SERVICE DISTRICT, a public utility, Wiley Ford, and WILEY FORD WATER COMPANY, INC., a public utility, Wiley Ford, both in Mineral County.

Petition for consent and approval for Frankfort Public Service District to purchase the stock of the Wiley Ford Water Company, Inc.

NOTICE OF PROPOSED SALE OF WILEY FORD WATER COMPANY

On November 27, 2007, Frankfort Public Service District requested the Commission's prior consent and approval to purchase the assets of Wiley Ford Water Company, Inc.

The state's 2006 Sanitary Survey revealed significant deficiencies in Wiley Ford's system, and Frankfort plans to spend \$540,000 in initial system improvements, including developing wells, designing and constructing a treatment facility, and connecting the Wiley Ford system to Frankfort's system. Future projects are proposed to extend service to new customers, address pressure problems at high elevations, replace and/or add fire hydrants, and eliminate purchasing water from Cumberland, Maryland.

The West Virginia Infrastructure & Jobs Development Council has committed \$940,000 at 0% interest for 40 years for Frankfort to take over and improve the Wiley Ford system. By order entered on December 14, 2007, the Commission stated that, pending receipt of public comments, the Commission was inclined to approve Frankfort's receipt of the initial \$400,000 to purchase Wiley Ford's system.

The purchase does not affect Frankfort's and Wiley Ford's existing rates. Rates could, however, be changed in a future case.

Anyone desiring to comment should file their remarks in writing within twenty (20) days following the date of this publication. In the absence of substantial protest, the Commission may approve the proposed takeover without conducting a hearing. All comments must contain the case number listed above and should be addressed to the Executive Secretary, Public Service Commission of West Virginia, PO Box 812, Charleston, WV 25323.

Frankfort Public Service District
Wiley Ford Water Company, Inc.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL

8/28/2007

Entered: August 8, 2007

CASE NO. 07-0001-PWD-19A

FRANKFORT PUBLIC SERVICE DISTRICT
Rule 19A application to increase
water rates and charges.RECOMMENDED DECISION

On January 2, 2007, the Frankfort Public Service District (District) filed an application under Rule 19A of the Commission's Rules for the Construction and Filing of Tariffs (Tariff Rules). The District reported that monthly expenses exceeded revenues by approximately \$6750. The District also indicated that its current tap fee of \$250 was grossly inadequate. The District requested an across-the-board rate increase of 16% for water service and an increase in tap fees to \$600.

On February 1, 2007, Staff Attorney C. Terry Owen filed the Initial Joint Staff Memorandum to which was attached the January 29, 2007 Initial Internal Memorandum prepared by Randy Lengyel, Utilities Analyst III, Water and Wastewater Division. Mr. Lengyel reported that the District's annual operating revenues for water were \$530,669 for the year ending June 30, 2006. Legal Staff reminded the District of the Commission's requirements under the Tariff Rules, specifically the notice requirements under Rule 8.2.f. and Rule 8.2.i. Staff indicated that, after a review of the District's financial condition was completed, a timely report would be submitted. Staff recommended that the case be referred to the Division of Administrative Law Judges for further disposition.

By Commission Order dated February 20, 2007, the case was referred to the Division of Administrative Law Judges with a decision due date of on or before August 30, 2007. Commission Staff was required to file its report with the Commission on or before April 12, 2007. The District was required to file a verification to its application and to mail separate notices to each individual customer of the requested rate increase on or before March 16, 2007, and provide the Commission with the appropriate certificate evidencing the mailing of separate notice on or before April 2, 2007.

On April 3, 2007, the District filed a letter which requested an immediate interim decision permitting it to increase rates.

On April 11, 2007, Mr. Owen filed the Second Initial Joint Staff Memorandum to which was attached the April 10, 2007 Further Initial

Internal Memorandum prepared by Mr. Lengyel and Nathan Nelson, Utilities Analyst II, Water and Wastewater Division. Mr. Lengyel and Mr. Nelson reported that, based on a cash flow analysis developed by Staff, the District is operating at a per books cash flow deficit of \$20,583 with a debt service coverage factor of 84.68%. The District's pro forma rates generate operating revenue of \$615,576 with a cash flow surplus of \$64,324 and debt service coverage of 147.89%. The Staff-recommended rates generate operating revenue of \$586,389, a cash flow surplus of \$35,137 and debt service coverage in the amount of 126.16%. The \$35,137 surplus is equal to approximately one twelfth (1/12) of the District's operation and maintenance expenses and other taxes. Staff believes that the District has fully funded its reserve accounts for its existing loans. Staff recommended, based on Staff's adjusted level of operations, an interim across-the-board increase of 10.5% to the District's current rates and charges. The interim rates and charges would be subject to refund. Staff's interim rates would result in a minimum monthly bill of \$15.64. A bill based on 4,500 gallons of usage would be \$27.71. Staff indicated that, after conducting an audit of the District's water operations, books and records, Staff would file a report within the Commission's required time frame. Legal Staff recommended that a Class I publication of the interim rates be ordered.

By Procedural Order dated April 12, 2007, the District was required to file a verification to its application and file an appropriate certificate evidencing the mailing of separate notice of the requested rate increase within ten (10) days of the date of the Order.

Also on April 12, 2007, Staff Attorney Owen filed the Third Initial Joint Staff Memorandum which indicated that Staff withdrew its April 11, 2007 recommendations and would file its report on April 16, 2007.

On April 16, 2007, Mr. Owen filed the Fourth Initial Joint Staff Memorandum to which was attached the April 16, 2007 Fourth Initial Internal Memorandum prepared by Mr. Lengyel and Mr. Nelson. Staff explained that it was not yet ready to file the final Staff-recommended rates, and, instead, recommended only an interim rate increase. Staff developed a cash flow analysis, based on the District's annual report and adjusted trial balance for the fiscal year ending June 30, 2006. The District operates at a per books adjusted cash flow surplus of \$28,362 with a debt service coverage factor of 121.12%. The Staff-recommended interim rates generate operating revenue in the amount of \$594,369 with a cash flow surplus of \$33,545 and debt service coverage of 136.04%. The surplus of \$33,545 is equal to approximately one twelfth (1/12) of the District's operation and maintenance expenses and other taxes. Staff believes that the District has fully funded its reserve accounts for its existing loans. Staff recommended an interim across-the-board increase of 6.07% to the District's current rates and charges. Based on Staff's interim rates, a minimum monthly bill would be \$14.16 and a bill based on 4,500 gallons would be \$27.42. Staff recommended that these rates and charges be subject to refund. Staff also requested a 30-day extension of Staff's report due date to complete its review of the District's operations.

On April 16, 2007, Staff filed a motion to extend the due date of Staff's report by thirty (30) days.

By Interim Recommended Decision dated April 18, 2007, Staff's recommendations were adopted and a 6.07% interim rate increase was approved. The District was required to publish the notice of the approved interim rate increase and make due return to the Commission of proper certification of publication within ten (10) days of the date of the publication.

By Commission Order dated April 18, 2007, the decision due date for the Division of Administrative Law Judges was extended until September 28, 2007, and the Staff Report due date was extended until May 14, 2007.

On April 25, 2007, the District filed a letter which indicated that the District would notify its individual water customers and implement the approved rate increase as soon as possible.

On May 11, 2007, the District filed an Affidavit of Publication from the News Tribune, a newspaper duly qualified by the Secretary of State, published and generally circulated in Mineral County, which reflected that the Notice of Interim Rates had been published on May 3, 2007.

On May 11, 2007, the District filed a verification to its application.

On May 14, 2007, Mr. Owen filed the Final Joint Staff Memorandum to which was attached the May 14, 2007 Staff Report prepared by Mr. Lengyel and Mr. Nelson. Staff reported that the District currently serves 1,386 water customers. Staff performed an audit of the District's books and records for the test year ending June 30, 2006. The District purchases water from the Fort Ashby Public Service District which increased its rates effective January 4, 2006. The District's debt service payments during the test year were \$134,314. The District's debt service reserves are fully funded. The District's per books rates provide for a monthly bill based on 2,000 gallons of water of \$13.56. The District's interim rates provide for a bill based on 2,000 gallons of water of \$15.02. As a result of Staff's adjustments, Staff recommended an across-the-board increase of 6.1% to the District's current interim rates and charges. The Staff-recommended rates and charges provide for a minimum bill of \$15.94 and total cash revenues of \$631,848 with a cash flow surplus of \$37,331. The Staff-recommended rates and charges will result in debt service coverage of 139.55%. In summation, Staff recommended that the Commission approve the Staff-recommended rates and charges of approximately 6.1%. Staff also recommended approval of the \$37,331 in annual working capital surplus. Staff further recommended that the District begin putting \$15,796 into escrow for future capital improvements to the water system.

By letter from the Commission's Executive Secretary dated May 14, 2007, the District was given ten (10) days to respond in writing to Staff's recommendations. The District was cautioned that failure to respond in writing to Staff's recommendations may result in a decision in the case based on the documents in the case file, without further hearing or notice.

By Procedural Order dated May 31, 2007, the District was required to give notice to its customers of the Staff-recommended increased rates and

charges for providing water service and afford an opportunity to them to file written objections. The District was also required to file the appropriate certificate evidencing the mailing of separate notice of the requested rate increase as previously directed by the Commission Order dated February 20, 2007, and the Procedural Order dated April 12, 2007. The Order specifically stated: "The District must file a completed Tariff Form No. 6-A within ten (10) days of the date of this Order or this case may be dismissed."

By Procedural Order dated June 25, 2007, the District was required to provide a completed Tariff Form No. 6-A no later than June 29, 2007, or the case would be dismissed and the interim rate increase revoked.

On June 29, 2007, the District filed a completed Tariff Form No. 6-A, a completed Tariff Form No. 6-B and an affidavit of publication from the News-Tribune which reflected that the Notice of Application to Change Rates had been published on June 20 and 27, 2007.

Also filed on June 29, 2007, by the District, was the information which was to be printed on the next billing sent to the District's customers.

By Procedural Order dated July 5, 2007, the District was required to submit a completed Tariff Form No. 6-A after the District had mailed the notice to its customers.

On July 17, 2007, the District filed a completed Tariff Form No. 6-A which reflected that the District had mailed separate notice to all customers on July 10, 2007.

As of the date of this Recommended Decision, no protests have been filed. Additionally, the District has not filed a written response to the Final Joint Staff Memorandum.

FINDINGS OF FACT

1. On January 2, 2007, the Frankfort Public Service District filed an application for a rate increase under Rule 19A of the Commission's Rules for the Construction and Filing of Tariffs. (See, January 2, 2007 filing).

2. Even after an interim rate increase of 6.07%, the District's going-level rates result in a debt service coverage of only 111.89%. The District's bond holders require debt service coverage of 115%. (See, Staff Report filed May 14, 2007, Letter of Transmittal, pp. 1 and 3, and Statement H).

3. The Staff-recommended rates will result in an across-the-board 6.1% increase to the District's going-level rates and charges and will produce a cash surplus of \$37,331 with a debt service coverage factor of 139.55%. (See, Staff Report filed May 14, 2007, Letter of Transmittal, p. 3, and Statement H).

4. Notice of the Staff-recommended increased rates and charges was published in the News-Tribune, a newspaper duly qualified by the Secretary of State, published and of general circulation in Mineral County, West Virginia, on June 20, 2007, and June 27, 2007. (See, Affidavit of Publication filed June 29, 2007).

5. No protests have been filed to the Staff-recommended increased rates and charges within the ten-day protest period, which expired on July 7, 2007, or as of the date of this Recommended Decision. (See, case file generally).

6. By letter dated May 14, 2007, the Office of the Executive Secretary cautioned the District that failure to respond to Staff's recommendations within ten (10) days may result in a decision in the case based on the original filing and the other documents in the case file without further hearing or notice. (See, filing dated May 14, 2007).

7. As of the date of this Recommended Decision, the District has not filed any written response to Staff's recommendations. (See, case file generally).

CONCLUSIONS OF LAW

1. The Staff-recommended increased rates and charges are sufficient, but not more than sufficient, to cover the District's operation and maintenance expenses, debt service requirements and average annual plant additions.

2. It is reasonable to approve the Staff-recommended increased rates and charges, without a hearing, since adequate notice has been provided with no protest being filed in response thereto, for use by the District for all services rendered on and after the date that this Recommended Decision becomes a final Commission Order.

ORDER

IT IS, THEREFORE, ORDERED that the Staff-recommended rates and charges, and other tariff changes, as set forth and contained in Appendix A, attached hereto, be, and hereby are, approved to become effective for all water service rendered by the Frankfort Public Service District on and after the date this Recommended Decision becomes a final Commission Order.

IT IS FURTHER ORDERED that the Frankfort Public Service District file with the Commission's Tariff Office an original and no less than five (5) copies of a proper tariff reflecting the rates approved herein within thirty (30) days of the date that this Recommended Decision becomes a final Commission Order.

IT IS FURTHER ORDERED that the Frankfort Public Service District begin putting into escrow annually the amount of \$15,796 for renewal and replacement reserves. These funds are to be used in the future for capital improvements to the water system.

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

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

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

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

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

Deborah Yost Vandervort
Deborah Yost VanDervort
Administrative Law Judge

DYV:s
070001ae.wpd

FRANKFORT PUBLIC SERVICE DISTRICT
CASE NO. 07-0001-PWD-19A
APPROVED RATES

APPLICABILITY

Applicable within entire territory served

AVAILABILITY OF SERVICE

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

RATES (customers with metered water supply)

First	2,000 gallons used per month	\$7.97 per 1,000 gallons
All Over	2,000 gallons used per month	\$5.26 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following based on meter size:

5/8-inch meter	\$ 15.94 per month
3/4-inch meter	23.91 per month
1-inch meter	39.85 per month
1-1/2-inch meter	79.70 per month
2-inch meter	127.52 per month
3-inch meter	239.10 per month
4-inch meter	398.50 per month
6-inch meter	707.00 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 charges are to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of Three Hundred Dollars (\$300.00) will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RECONNECTION CHARGE - \$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.

METER READINGS

Bi-monthly readings and other billings will be indicated.

LEAK ADJUSTMENT

\$2.61 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible water leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

PRIVATE FIRE PROTECTION (Hydrant or Sprinkler)

Where connections, hydrants, sprinklers, etc. on private property are maintained by consumer:

2-inch connection	\$ 4.00 per month
4-inch connection	\$16.00 per month
6-inch connection	\$40.00 per month
8-inch connection	\$60.00 per month

FRANKFORT PUBLIC SERVICE DISTRICT, a public utility

OF

WILEY FORD, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

WATER

at Mountaineer Village, Ridgeley and Short Gap and vicinity
Mineral County, West Virginia

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

Issued September 17, 2007

Effective for service rendered on and after August 28, 2007
or as otherwise provided herein

Issued by authority of an Order of the
Public Service Commission of West Virginia
in Case No. 07-0001-PWD-19A final
August 28, 2007.

Issued by FRANKFORT PUBLIC SERVICE DISTRICT, a public utility

By _____

Title

RULES AND REGULATIONS

- I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

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

(I) RATE (customers with metered water supply)

First	2,000 gallons used per month	\$7.97 per 1,000 gallons
All Over	2,000 gallons used per month	\$5.26 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following based on meter size:

(I)	5/8 inch meter	\$ 15.94 per month
(I)	3/4 inch meter	\$ 23.91 per month
(I)	1 inch meter	\$ 39.85 per month
(I)	1 - 1/2 inch meter	\$ 79.70 per month
(I)	2 inch meter	\$127.52 per month
(I)	3 inch meter	\$239.10 per month
(I)	4 inch meter	\$398.50 per month
(D)	6 inch meter	\$707.00 per month

(O) The above minimum charges are subject to an additional \$0.43 per thousand (1,000) gallons of water used 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.

- (I) Indicates increase
- (D) Indicates decrease
- (O) Indicates omission

TAP FEE

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

- (I) A tap fee of Three Hundred Dollars (\$300.00) will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RECONNECTION

\$25.00

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

METER READINGS

Bi-monthly readings and other billings will be indicated.

(C,I) LEAK ADJUSTMENT

\$2.61 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 consumption above the customer's historical average usage

PRIVATE FIRE PROTECTION (Hydrant or Sprinkler)

Where connections, hydrants, sprinklers, etc. on private property are maintained by consumer:

2 inch connection	\$ 4.00 per month
4 inch connection	\$16.00 per month
6 inch connection	\$40.00 per month
8 inch connection	\$60.00 per month

- (I) Indicates increase
- (C) Indicates change in text

**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 25th day of July, 2007.

CASE NO. 07-0222-W-30B

WILEY FORD WATER COMPANY, INC.,
a corporation, Wiley Ford, Mineral County.

Rule 30B application to pass through increased costs of
purchased water from the City of Cumberland, Maryland.

COMMISSION ORDER

On February 26, 2007, Wiley Ford Water Company, Inc. (Wiley Ford) filed with the Commission a request to increase its water rates and charges pursuant to Rule 30B of the Commission's *Rules for the Construction and Filing of Tariffs (Tariff Rules)*, 150 C.S.R. Series 2. Wiley Ford is seeking an increase in its rates to offset an increase in the rates for purchased water provided by the City of Cumberland, Maryland (City). The City utilizes a Capacity Charge and Consumption Charge for water sold to Wiley Ford. The City increased its rates effective July 1, 2006.

On April 24, 2007, the Commission approved interim rates, including an increased leak adjustment rate, for Wiley Ford to offset increased costs of purchased water from the City. The Commission also required Wiley Ford to provide notice to its customers of the interim rates. The Commission's order indicated that if substantial protests were received in response to that publication, and the Commission found, upon further review, the interim rates were not justified, refunds would be ordered.

Wiley Ford published the required notice on May 14, 2007, in *The New Tribune*. See, Affidavit of Publication June 14, 2007.

To date, no protests have been filed with the Commission.

DISCUSSION

Because no protests were filed in response to the notice, the Commission is prepared to approve the 30B increment and the leak adjustment as Wiley Ford's final rates.

FINDINGS OF FACT

1. On February 26, 2007, Wiley Ford applied to increase its water rates and charges, pursuant to *Tariff Rule 30B*, to offset an increase from the City.
2. Proper notice has been given of Wiley Ford's application. *See*, Affidavit of Publication June 14, 2007.
3. No protests have been filed with the Commission. *See* case file generally.

CONCLUSION OF LAW

Because no protests were filed in response to proper notice, the 30B increment and the leak adjustment will be deemed reasonable and approved as Wiley Ford's final rates.

ORDER

IT IS THEREFORE ORDERED that use of \$1.12 per thousand gallons of metered water usage as the 30B increment and \$5.32 per thousand gallons of metered water usage as the incremental leak adjustment rate for Wiley Ford Water Company, Inc.'s final rates are approved. These rates appear in the tariff sheets attached as Attachment A.

IT IS FURTHER ORDERED that within thirty (30) days of the date of this Order, Wiley Ford Water Company, Inc. shall file an original and six copies of a revised tariff setting forth these approved final rates and charges.

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

IT IS FURTHER ORDERED that the Executive Secretary serve a copy of this Order upon all parties of record by United States Mail, and upon Commission Staff by hand.

A True Copy, Teste:


Sandra Squire
Executive Secretary

LHG/s
070222ca.wpd

WILEY FORD WATER COMPANY
CASE NO. 07-0222-W-30B

APPROVED TARIFF

APPLICABILITY

(C) Applicable within the entire territory served.

(C) AVAILABILITY

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

(C,I) RATES (customers with metered water supply)

First	1,000 gallons used per month	\$14.53 per 1,000 gallons
Next	2,000 gallons used per month	\$ 9.24 per 1,000 gallons
Next	3,000 gallons used per month	\$ 8.71 per 1,000 gallons
Next	20,000 gallons used per month	\$ 8.19 per 1,000 gallons
All over	26,000 gallons used per month	\$ 7.66 per 1,000 gallons

(C,I) MINIMUM CHARGE

No monthly bill will be rendered for less than \$14.53 per month.

5/8	inch	\$ 12.84 per month
3/4	inch	\$ 19.30 per month
1	inch	\$ 32.10 per month
1- 1/2	inch	\$ 64.20 per month
2	inch	\$102.75 per month

The above minimum charges are subject to an additional \$1.69 (one dollar and sixty-nine cents) per thousand gallons used per month.

* Based on rates excluding the 30B \$1.69 per 1,000 gallon increment.

(C) 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.

(C) RECONNECTION \$35.00

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

(C) TAP FEE

In addition to the foregoing rates, each customer added to either the Cumberland line or any lines installed by the Wiley Ford Water Company, Inc., will be charged \$425.00 tappage, or ready to serve fee which is required by the water contract with the City of Cumberland and is to be collected by the Wiley Ford Water Company, Inc., and paid to the City of Cumberland. Additionally, there is to be a charge of \$100.00 to cover the cost of meter installed.

(C,I) LEAK ADJUSTMENT

\$5.32 per 1,000 gallons is to be used when a bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

(N) RETURNED CHECK CHARGE

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

- (C) Indicates change in text
- (D) Indicates decrease
- (I) Indicates increase
- (N) Indicates new

WILEY FORD WATER COMPANY, a public utility

OF

WILEY FORD, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

WATER

at the Town of Wiley Ford and immediate vicinity, Mineral County, West Virginia

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

Issued August 22, 2007

Effective for bills rendered on and after July 25, 2007
or as otherwise provided herein

Issued by authority of an order of the
Public Service Commission of West Virginia
in Case No. 07-0222-W-30B dated
July 25, 2007 or as otherwise provided herein

Issued by Wiley Ford Water Company, Inc., a public utility

By _____

Title

RULES AND REGULATIONS

- I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

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

RATES (customers with metered water supply)

First	1,000 gallons used per month	\$14.53 per 1,000 gallons
Next	2,000 gallons used per month	\$ 9.24 per 1,000 gallons
Next	3,000 gallons used per month	\$ 8.71 per 1,000 gallons
Next	20,000 gallons used per month	\$ 8.19 per 1,000 gallons
All Over	26,000 gallons used per month	\$ 7.66 per 1,000 gallons

MINIMUM CHARGE

No monthly bill will be rendered for less than \$14.53 per month.

5/8	inch	\$ 12.84 per month
3/4	inch	\$ 19.30 per month
1	inch	\$ 32.10 per month
1 - 1/2	inch	\$ 64.20 per month
2	inch	\$102.75 per month

The above minimum charges are subject to an additional \$1.69 (one dollar and sixty-nine cents) per thousand gallons used per month.

Based on rates excluding the 30B \$1.69 per 1,000 gallon increment

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.

RECONNECTION

\$35.00

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

TAP FEE

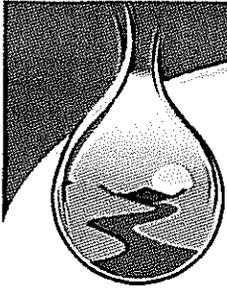
In addition to the foregoing rates, each customer added to either the Cumberland line or any lines installed by the Wiley Ford Water Company, Inc., will be charged \$425.00 tappage, or ready to serve fee which is required by the water contract with the City of Cumberland and is to be collected by the Wiley Ford Water Company, Inc., and paid to the City of Cumberland. Additionally, there is to be a charge of \$100 to cover the cost of meter installed.

LEAK ADJUSTMENT

\$5.32 per 1,000 gallons is to be used when a bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

RETURNED CHECK CHARGE

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



WEST VIRGINIA

Infrastructure & Jobs Development Council

Gov. Joe Manchin, III
Chairman

April 7, 2008

Kenneth Lowe, Jr.
Public Member

Blane Murray, Chairman
Frankfort PSD

Dwight Calhoun
Public Member

P.O. Box 80
Wiley Ford, WV 26767

David "Bones" McComas
Public Member

Re: Frankfort PSD
Project 2006W-923

Ron Justice
Public Member

Dear Mr. Murray:

Jefferson E. Brady, P.E.
Executive Director

On April 2, 2008 the Infrastructure & Jobs Development Council met and voted to bifurcate the referenced project into an acquisition closing of \$400,000 and a construction closing of approximately \$540,000. New loan agreements will be prepared and executed at the time of each closing.

Paula Koontz
Administrative Secretary

Should you have any questions please contact me.

Sincerely,

Jefferson E. Brady, P.E.
Executive Director

Cc: Michael Bland, Mineral Co. (via E-Mail)
David Vanscoy, P.E., RK&K (via E-Mail)
John Stump, Steptoe & Johnson (via E-Mail)



Jefferson E. Brady, P.E. Executive Director

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Phone: (304) 558-4607
Facsimile: (304) 558-4609
Jefferson.Brady@verizon.net

December 8, 2006

Blane Murray, Chairman
Frankfort PSD
P.O. Box 80
Wiley Ford, WV 26767

Re: Loan Agreement
Water Project 2006W-923
Action Required by January 15, 2007

Dear Mr. Murray:

At the December 6, 2006 meeting of the West Virginia Infrastructure & Jobs Development Council (the "Council"), the Council authorized the West Virginia Water Development Authority (the "Authority") to enter into a loan with Frankfort Public Service District (the "District") for a loan of \$940,000. The loan will be made from the proceeds of bonds issued by the Authority on behalf of the Council. To comply with new US Internal Revenue Code requirements, the Council and the Authority replaced the binding commitment letters with the attached loan agreement.

If the District intends to accept the loan, its governing body must adopt a written resolution authorizing it to enter into the loan agreement. If authorized, the District should execute the loan agreement in triplicate and return it, along with a certified copy of the resolution, to the Authority. **The District must also submit to the Council a proposed written schedule for the closing of the loan and grant.**

Please contact Jeff Brady at (304) 558-4607 if you have any questions.

Sincerely,

Jefferson E. Brady, P.E.
Executive Director

cc: Dave Vanscoy, P.E., RK&K
Mike Bland, Mineral County Coordinator

Public Members

Ken Lowe, Shepherdstown • Dwight Calhoun, Petersburg • Tim Stranko, Morgantown • Dave McComas, Prichard

IC-2
(12/6/06)

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council"), and the governmental agency designated below (the "Governmental Agency").

FRANKFORT PUBLIC SERVICE DISTRICT

(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Council an Application for Project Funding with attachments and exhibits (together, as

further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, the Council has requested the Authority to issue Infrastructure Revenue Bonds, the proceeds of which will be deposited in a sub account of the Infrastructure Fund and used to make loans and grants to Governmental Agency's (the "Authority Bonds")and

WHEREAS, having reviewed the Application and made all findings required by the Act and intending to have available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Exhibit E attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with the proceeds of the Authority Bonds deposited in the Infrastructure Fund, subject to the issuance of the Authority's Bonds and the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "Council," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.5 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.6 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

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

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

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

ARTICLE II

The Project and the System

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

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things

necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

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

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers'

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

2.9 The Governmental Agency shall provide and maintain competent and adequate engineering services satisfactory to the Council and the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such engineer shall certify to the Authority, the Council and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

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

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

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

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

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as

possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

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

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Exhibit E, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount

equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Exhibit E attached hereto and in the Local Act;

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

(iii) That the Governmental Agency shall complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds

outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the prior written consent of the Authority and the Council; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

(vii) That the Governmental Agency will not render any free services of the System;

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Governmental Agency's

revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Governmental Agency shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof;

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

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

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency may not redeem any Local Bonds by it without the written consent of the Authority and the Council and otherwise in compliance with this Loan Agreement;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for the Local Bonds;

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the

Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xxi) That the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

(xxiii) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B attached to the certificate of the Consulting Engineer. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds available due to bid/construction/project underruns;

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Exhibit E hereto or are otherwise expressly permitted in writing by the Authority and the Council.

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Exhibit E hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Exhibit E.

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Exhibit E hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Exhibit E hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment due to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

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

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency, if any, may be set forth in Exhibit E attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Exhibit E shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority and the Council.

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

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

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

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

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

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

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

7.10 This Loan Agreement shall terminate upon the earlier of:

- (i) one year after the date of execution hereof by the Authority; or
- (ii) termination by the Authority and the Council pursuant to Section 6.1 hereof.

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

FRANKFORT PUBLIC SERVICE DISTRICT

(SEAL)

By: _____

Its: Chairman

Attest:

Date: _____

Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: _____

Its: Director

Attest:

Date: _____

Its: Secretary-Treasurer

{C1153103.1}

THIS LOAN AGREEMENT WAS APPROVED BY RESOLUTION OF THE
GOVERNING BODY OF THE GOVERNMENTAL AGENCY ON _____,

_____.

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

2. The Bonds are being issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by [DEP/BPH/PSC] and any change orders approved by the Issuer, the Council and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least _____ years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A and my firm¹ has ascertained that all _____

¹If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____,

successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the [DEP/BPH/PSC] and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof, ²the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project set forth in the Schedule B attached hereto and approved by the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" for the Project.

WITNESS my signature and seal on this ____ day of _____, ____.

[SEAL]

By: _____
West Virginia License No. _____

Esq.] and delete "my firm has ascertained that".

²If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of _____ of even date herewith," at the beginning of (ix).

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

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

Ladies and Gentlemen:

We are bond counsel to _____ (the
"Governmental Agency"), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of \$_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the "Exhibit" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and
(ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior

to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

3. The Governmental Agency is a duly organized and validly existing _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

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

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

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

Very truly yours,

EXHIBIT C

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
Name of Bond Issue(s) _____
Type of Project _____ **Water** _____ **Wastewater** _____
Fiscal Year _____ **Report Month** _____

<u>Item</u>	<u>Current Month</u>	<u>Total Year To Date</u>	<u>Budget Year To Date</u>	<u>Budget Year To Date Minus Total Year To Date</u>
1. Gross Revenues	_____	_____	_____	_____
2. Operating Expenses	_____	_____	_____	_____
3. Bond Payments:				
<u>Type of Issue</u>				
Clean Water SRF	_____	_____	_____	_____
Drinking Water TRF	_____	_____	_____	_____
Infrastructure Fund	_____	_____	_____	_____
Water Development Authority	_____	_____	_____	_____
Rural Utilities Service	_____	_____	_____	_____
Economic Development Administration	_____	_____	_____	_____
Other (Identify)	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
4. Renewal and Replacement Fund Deposits	_____	_____	_____	_____

Name of Person Completing Form

Address

Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ($\$1,200/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ($\$900/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

The Governmental Agency must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.

EXHIBIT D

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest	\$
Principal	\$
Total:	\$
Reserve Account:	\$

Witness my signature this ____ day of _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT E

Approval Loan Amount: \$940,000

Terms: 40 years at 0%.

Project Description: Purchase of private Wiley Ford Water Company; total upgrade of water system, construction of water wells and connection to the existing Frankfort PSD water system.

West Virginia Infrastructure & Jobs Development Council

Public Members:

Mark Prince
Hurricane
Dwight Calhoun
Petersburg
Tim Stranko
Morgantown
Dave McComas
Prichard

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Jefferson E. Brady, PE
Executive Director

Jefferson.Brady@verizon.net

May 8, 2006

Blane Murray, Chairman
Frankfort Public Service District
P.O. Box 80
Wiley Ford, West Virginia 26767

Re: Frankfort Public Service District
Water Project 2006W-923

Dear Mr. Murray:

The West Virginia Infrastructure and Jobs Development Council (the "Council") has reviewed the Frankfort Public Service District's (the "District") preliminary application to purchase the private Wiley Ford Water Company; upgrade the water system; construct water wells and connect to the existing system (the "Project").

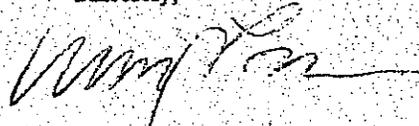
Based on the findings of the Water Technical Review Committee, the Council has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. The District should carefully review the enclosed comments of the Water Technical Review Committee as the District may need to address certain issues raised in said comments as it proceeds with the Project.

Upon consideration of the preliminary application, the Council determined that the District should pursue a \$1,500,000 Small Cities Block Grant to fund this \$5,500,000 project. Please contact the WV Development Office at (304) 558-4010 for specific information on the steps the District needs to follow to apply for these funds. Please note that this letter does not constitute funding approval from this agency.

The Council also determined that the District may be eligible for a \$360,000 Infrastructure Fund grant and a \$3,640,000 Infrastructure Fund loan pending final determination of the project's eligibility and readiness to proceed. This letter is not a commitment letter of Infrastructure Funds. The Project will be placed on the Council's pending list of projects.

If you have any questions regarding this matter, please contact Jeff Brady at 558-4607.

Sincerely,



Mark Prince

Enclosure

cc: Pat Taylor, BPH (w/o enclosure)
Tracey Rowan, SCBG (w/o enclosure)
Region VIII Planning & Development Council
David Vanscoy, P.E., Rummel, Klepper & Kahl, LLP



FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On this 6th day of May, 2008, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of Frankfort Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, in the principal amount of \$400,000, numbered AR-1 (the "Series 2008 A Bonds"), issued as a single, fully registered Bond, and dated May 6, 2008.

2. At the time of such receipt, all the Series 2008 A Bonds had been executed by the Chairman and the Secretary of the Issuer by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2008 A Bonds, of \$400,000, being a portion of the principal amount of the Series 2008 A Bonds. The balance of the principal amount of the Series 2008 A Bonds will be advanced by the Authority and the West Virginia Infrastructure and Jobs Development Council to the Issuer as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Blank]

Dated as of the day and year first written above.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B Meadows
Its: Authorized Representative

FRANKFORT PUBLIC SERVICE DISTRICT

By: A. Blaine Young
Its: Chairman

04.23.08
306370.00002

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank,
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On this 6th day of May, 2008, there are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of Frankfort Public Service District Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), in the principal amount of \$400,000 (the "Series 2008 A Bonds"), dated May 6, 2008 (collectively, the "Bonds"), executed by the Chairman and Secretary of Frankfort Public Service District (the "Issuer") and bearing the official seal of the Issuer authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on April 28, 2008, and a Supplemental Resolution duly adopted by the Issuer on April 28, 2008 (collectively, the "Bond Legislation");

(2) A copy of the Bond Legislation authorizing the above-captioned Bonds, duly certified by the Secretary of the Issuer;

(3) Executed counterparts of a loan agreement for the Series 2008 A Bonds, dated May 6, 2008, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"); and

(4) Executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Bonds.

You are hereby requested and authorized to deliver the Series 2008 A Bonds to the Authority upon payment to the Issuer of the sum of \$400,000, representing a portion of the principal amount of the Series 2008 A Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

[Remainder of Page Intentionally Left Blank]

Dated as of the day and year first written above.

FRANKFORT PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

04.23.08
306370.00002

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FRANKFORT PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$400,000

KNOW ALL MEN BY THESE PRESENTS: This 6th day of May, 2008, that FRANKFORT PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Mineral County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of FOUR HUNDRED THOUSAND DOLLARS (\$400,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008 to and including March 1, 2048, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated May 6, 2008.

This Bond is issued to pay a portion of the costs of acquisition of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"). The existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on April 28, 2008, and a Supplemental Resolution duly adopted by the Issuer on April 28, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE WATER REVENUE BONDS, SERIES 1976 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 16, 1976, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$233,000 (THE "SERIES 1976 BONDS") AND THE WATER REVENUE BONDS, SERIES 1993 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED DECEMBER 2, 1993 ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000 (THE "SERIES 1993 BONDS" AND, COLLECTIVELY THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2008 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2008 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2008 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, 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.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, FRANKFORT PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the day and year first written above.

[SEAL]

A. Blankenship

Chairman

ATTEST:

J. [unclear]

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: May 6, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar


Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	\$ 400,000	May 6, 2008	(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 \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

\$400,000

Frankfort Public Service District (West Virginia)
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
06/01/2008	-	-	-
09/01/2008	-	-	-
12/01/2008	2,532.00	-	2,532.00
03/01/2009	2,532.00	-	2,532.00
06/01/2009	2,532.00	-	2,532.00
09/01/2009	2,532.00	-	2,532.00
12/01/2009	2,532.00	-	2,532.00
03/01/2010	2,532.00	-	2,532.00
06/01/2010	2,532.00	-	2,532.00
09/01/2010	2,532.00	-	2,532.00
12/01/2010	2,532.00	-	2,532.00
03/01/2011	2,532.00	-	2,532.00
06/01/2011	2,532.00	-	2,532.00
09/01/2011	2,532.00	-	2,532.00
12/01/2011	2,532.00	-	2,532.00
03/01/2012	2,532.00	-	2,532.00
06/01/2012	2,532.00	-	2,532.00
09/01/2012	2,532.00	-	2,532.00
12/01/2012	2,532.00	-	2,532.00
03/01/2013	2,532.00	-	2,532.00
06/01/2013	2,532.00	-	2,532.00
09/01/2013	2,532.00	-	2,532.00
12/01/2013	2,532.00	-	2,532.00
03/01/2014	2,532.00	-	2,532.00
06/01/2014	2,532.00	-	2,532.00
09/01/2014	2,532.00	-	2,532.00
12/01/2014	2,532.00	-	2,532.00
03/01/2015	2,532.00	-	2,532.00
06/01/2015	2,532.00	-	2,532.00
09/01/2015	2,532.00	-	2,532.00
12/01/2015	2,532.00	-	2,532.00
03/01/2016	2,532.00	-	2,532.00
06/01/2016	2,532.00	-	2,532.00
09/01/2016	2,532.00	-	2,532.00
12/01/2016	2,532.00	-	2,532.00
03/01/2017	2,532.00	-	2,532.00
06/01/2017	2,532.00	-	2,532.00
09/01/2017	2,532.00	-	2,532.00
12/01/2017	2,532.00	-	2,532.00
03/01/2018	2,532.00	-	2,532.00
06/01/2018	2,532.00	-	2,532.00
09/01/2018	2,532.00	-	2,532.00
12/01/2018	2,532.00	-	2,532.00
03/01/2019	2,532.00	-	2,532.00

\$400,000

Frankfort Public Service District (West Virginia)
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
06/01/2019	2,532.00	-	2,532.00
09/01/2019	2,532.00	-	2,532.00
12/01/2019	2,532.00	-	2,532.00
03/01/2020	2,532.00	-	2,532.00
06/01/2020	2,532.00	-	2,532.00
09/01/2020	2,532.00	-	2,532.00
12/01/2020	2,532.00	-	2,532.00
03/01/2021	2,532.00	-	2,532.00
06/01/2021	2,532.00	-	2,532.00
09/01/2021	2,532.00	-	2,532.00
12/01/2021	2,532.00	-	2,532.00
03/01/2022	2,532.00	-	2,532.00
06/01/2022	2,532.00	-	2,532.00
09/01/2022	2,532.00	-	2,532.00
12/01/2022	2,532.00	-	2,532.00
03/01/2023	2,532.00	-	2,532.00
06/01/2023	2,532.00	-	2,532.00
09/01/2023	2,532.00	-	2,532.00
12/01/2023	2,532.00	-	2,532.00
03/01/2024	2,532.00	-	2,532.00
06/01/2024	2,532.00	-	2,532.00
09/01/2024	2,532.00	-	2,532.00
12/01/2024	2,532.00	-	2,532.00
03/01/2025	2,532.00	-	2,532.00
06/01/2025	2,532.00	-	2,532.00
09/01/2025	2,532.00	-	2,532.00
12/01/2025	2,532.00	-	2,532.00
03/01/2026	2,532.00	-	2,532.00
06/01/2026	2,532.00	-	2,532.00
09/01/2026	2,532.00	-	2,532.00
12/01/2026	2,532.00	-	2,532.00
03/01/2027	2,532.00	-	2,532.00
06/01/2027	2,532.00	-	2,532.00
09/01/2027	2,532.00	-	2,532.00
12/01/2027	2,532.00	-	2,532.00
03/01/2028	2,532.00	-	2,532.00
06/01/2028	2,532.00	-	2,532.00
09/01/2028	2,532.00	-	2,532.00
12/01/2028	2,532.00	-	2,532.00
03/01/2029	2,532.00	-	2,532.00
06/01/2029	2,532.00	-	2,532.00
09/01/2029	2,532.00	-	2,532.00
12/01/2029	2,532.00	-	2,532.00
03/01/2030	2,532.00	-	2,532.00

\$400,000

**Frankfort Public Service District (West Virginia)
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008**

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
06/01/2030	2,532.00	-	2,532.00
09/01/2030	2,532.00	-	2,532.00
12/01/2030	2,532.00	-	2,532.00
03/01/2031	2,532.00	-	2,532.00
06/01/2031	2,532.00	-	2,532.00
09/01/2031	2,532.00	-	2,532.00
12/01/2031	2,532.00	-	2,532.00
03/01/2032	2,532.00	-	2,532.00
06/01/2032	2,532.00	-	2,532.00
09/01/2032	2,532.00	-	2,532.00
12/01/2032	2,532.00	-	2,532.00
03/01/2033	2,532.00	-	2,532.00
06/01/2033	2,532.00	-	2,532.00
09/01/2033	2,532.00	-	2,532.00
12/01/2033	2,532.00	-	2,532.00
03/01/2034	2,532.00	-	2,532.00
06/01/2034	2,531.00	-	2,531.00
09/01/2034	2,531.00	-	2,531.00
12/01/2034	2,531.00	-	2,531.00
03/01/2035	2,531.00	-	2,531.00
06/01/2035	2,531.00	-	2,531.00
09/01/2035	2,531.00	-	2,531.00
12/01/2035	2,531.00	-	2,531.00
03/01/2036	2,531.00	-	2,531.00
06/01/2036	2,531.00	-	2,531.00
09/01/2036	2,531.00	-	2,531.00
12/01/2036	2,531.00	-	2,531.00
03/01/2037	2,531.00	-	2,531.00
06/01/2037	2,531.00	-	2,531.00
09/01/2037	2,531.00	-	2,531.00
12/01/2037	2,531.00	-	2,531.00
03/01/2038	2,531.00	-	2,531.00
06/01/2038	2,531.00	-	2,531.00
09/01/2038	2,531.00	-	2,531.00
12/01/2038	2,531.00	-	2,531.00
03/01/2039	2,531.00	-	2,531.00
06/01/2039	2,531.00	-	2,531.00
09/01/2039	2,531.00	-	2,531.00
12/01/2039	2,531.00	-	2,531.00
03/01/2040	2,531.00	-	2,531.00
06/01/2040	2,531.00	-	2,531.00
09/01/2040	2,531.00	-	2,531.00
12/01/2040	2,531.00	-	2,531.00
03/01/2041	2,531.00	-	2,531.00

\$400,000
Frankfort Public Service District (West Virginia)
40 Years from Closing Date; 0% Interest Rate
Closing Date: May 6, 2008

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
06/01/2041	2,531.00	-	2,531.00
09/01/2041	2,531.00	-	2,531.00
12/01/2041	2,531.00	-	2,531.00
03/01/2042	2,531.00	-	2,531.00
06/01/2042	2,531.00	-	2,531.00
09/01/2042	2,531.00	-	2,531.00
12/01/2042	2,531.00	-	2,531.00
03/01/2043	2,531.00	-	2,531.00
06/01/2043	2,531.00	-	2,531.00
09/01/2043	2,531.00	-	2,531.00
12/01/2043	2,531.00	-	2,531.00
03/01/2044	2,531.00	-	2,531.00
06/01/2044	2,531.00	-	2,531.00
09/01/2044	2,531.00	-	2,531.00
12/01/2044	2,531.00	-	2,531.00
03/01/2045	2,531.00	-	2,531.00
06/01/2045	2,531.00	-	2,531.00
09/01/2045	2,531.00	-	2,531.00
12/01/2045	2,531.00	-	2,531.00
03/01/2046	2,531.00	-	2,531.00
06/01/2046	2,531.00	-	2,531.00
09/01/2046	2,531.00	-	2,531.00
12/01/2046	2,531.00	-	2,531.00
03/01/2047	2,531.00	-	2,531.00
06/01/2047	2,531.00	-	2,531.00
09/01/2047	2,531.00	-	2,531.00
12/01/2047	2,531.00	-	2,531.00
03/01/2048	2,531.00	-	2,531.00
Total	\$400,000.00	-	\$400,000.00

Yield Statistics

Bond Year Dollars	\$8,077.06
Average Life	20.193 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	5.88E-11
Bond Yield for Arbitrage Purposes	5.88E-11
All Inclusive Cost (AIC)	5.88E-11

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.193 Years

File | Friendly PSD Loans.sf | IF 4-25-08 | 4/25/2008 | 10:01 AM

Ferris, Baker Watts, Incorporated
West Virginia Public Finance (Joseph E. Nassif, Investment Banker)

(Form of)

ASSIGNMENT

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

the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer 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:

May 6, 2008

Frankfort Public Service District
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

Frankfort Public Service District
Wiley Ford, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Frankfort Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$400,000 Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated May 6, 2008, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, to and including March 1, 2048, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of paying a portion of the costs of acquisition of improvements and extensions to the existing public waterworks system of the Issuer (the "Project").

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on April 28, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on April 28, 2008 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

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

1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the Council and cannot be amended by the Issuer so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Issuer without the written consent of the Authority and the Council.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's outstanding (a) Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$233,000; and (b) Water Revenue Bonds, Series 1993 (United States Department of Agriculture), dated December 2, 1993, issued in the original aggregate principal amount of \$2,000,000 (collectively, the "Prior Bonds"), all in accordance with the terms of the Bonds and the Bond Legislation.

5. The Bonds are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Bonds, if any, is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

6. 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.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement and 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 their enforcement may also be subject to the exercise of judicial discretion and the application of equitable remedies in appropriate cases.

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

Very truly yours,



STEPTOE & JOHNSON PLLC

LAW OFFICE OF
F. CODY PANCAKE, III

114 Armstrong St.
P.O. Box 726
Keyser, WV 26726
(304)788-7889

May 6, 2008

Frankfort Public Service District
Wiley Ford, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Steptoe & Johnson, PLLC
Charleston, West Virginia

Dear Ladies and Gentlemen:

I am counsel to Frankfort Public Service District, a public service district, in Mineral County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a loan agreement for the Series 2008 A Bonds dated May 6, 2008, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), the Bond Resolution duly adopted by the Issuer on April 28, 2008, as supplemented by the Supplemental Resolution duly adopted by the Issuer on April 28, 2008 (collectively, the "Bond Legislation"), orders of the County Commission of Mineral County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer, and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (collectively, the "Bonds"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreement when used herein.

Please be advised of the following:

1. I am of the opinion that the Issuer is a duly created and validly existing public service district and as a public corporation and political subdivision

of the State of West Virginia.

2. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. 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.
4. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.
5. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Bonds, the Loan Agreement and the Bond Legislation 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 ordinance, order, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.
6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders, certificates and approvals from the County Commission of Mineral County, the County Commission of Kanawha County, the Bureau for Public Health, the Council and the Public Service Commission of West Virginia, and 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 received the Final Order and the Commission Order of the Public Service Commission of West Virginia entered on January 29, 2008, in Case No 06-1320-PWD-W-PC, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and the financing for the Project and approving the rates for the System. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. The time for appeal of such Commission Order has not expired prior to the date hereof. The Issuer hereby certifies that it will not appeal such Order and the other parties to such Order have

stated that they do not intend to appeal such Order. Such Orders remain in full force and effect.

7. The Issuer has duly published a notice of the acquisition 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.
8. To the best of my knowledge, there is no litigation, 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 Loan Agreement, the Bond Legislation, the acquisition of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

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

Sincerely,


F. Cody Pancake, III, Esquire

LAW OFFICE OF
F. CODY PANCAKE, III

114 Armstrong St.
P.O. Box 726
Keyser, WV 26726
(304)788-7889

May 6, 2008

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street Suite 980
Charleston, WV 25301

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

Steptoe & Johnson PLLC
P.O. Box 1588
Charleston, WV 25326

RE: Final Title Opinion for Frankfort Public Service District/
Wiley Ford Water Company Purchase

Dear Sirs:

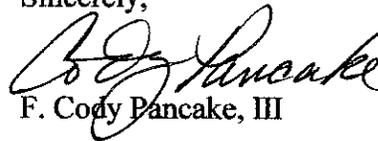
This will serve to advise that I am the attorney of representation for the Frankfort Public Service District (the "Issuer") in conjunction with a proposed purchase by the District of the Wiley Ford Water Company. I am providing this final title opinion on behalf of the District to satisfy the requirements of the West Virginia Infrastructure and Jobs Development Council with regard to financing for the proposed purchase. Please be advised of the following:

1. I am of the opinion that the Issuer is a duly created and validly existing Public Service District possessed with all the powers and authority granted to Public Service Districts under the laws of the State of West Virginia and has the full power and authority to construct, operate and maintain the water plant as approved by the Board of Public Health.
2. That the District has obtained approval for all necessary permits and approvals for the purchase.

3. That I have investigated and ascertained the location of and am familiar with the legal description of the necessary sights of which Wiley Ford Water Company is comprised.
4. That Wiley Ford Water Company has title to the property to be conveyed to Frankfort Public Service District.
5. There are no properties to be acquired by eminent domain associated with this purchase.

With best regards . . .

Sincerely,



F. Cody Pancake, III

FCP/ksj

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENT
11. RATES
12. PUBLIC SERVICE COMMISSION ORDERS
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. SPECIMEN BONDS
16. CONFLICT OF INTEREST
17. PROCUREMENT OF ENGINEERING SERVICES
18. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Frankfort Public Service District in Mineral County, West Virginia (the "Issuer"), and the undersigned COUNSEL TO THE ISSUER, hereby certify this 6th day of May, 2008 in connection with the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated the date hereof (collectively, the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution of the Issuer duly adopted April 28, 2008, and the Supplemental Resolution duly adopted April 28, 2008 (collectively, the "Bond Legislation").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition of the Project, the operation of the System, the receipt the Net Revenues, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application

of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition of the Project, the operation of the System, the pledge or application of moneys and security or the collection of the Gross Revenues or the pledge of the Net Revenues as security for the Bonds.

3. **GOVERNMENTAL APPROVALS:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery by the Issuer of the Loan Agreement, and the Issuer has met all conditions prescribed in the Loan Agreement. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2008 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$233,000 (the "Series 1976 Bonds"), and the Water Revenue Bonds, Series 1993 (United States Department of Agriculture) dated December 2, 1993 issued in the original aggregate principal amount of \$2,000,000 (collectively, the "Prior Bonds").

The Series 2008 A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all respects. The Issuer has obtained (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met, and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2008 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolutions.

5. **CERTIFICATION OF COPIES OF DOCUMENTS:** The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended, supplemented or changed in any way unless modification appears from later documents also listed below:

Bond Resolution

Supplemental Resolution

Loan Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating, Consolidating and Enlarging the District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Organizational Meeting

Excerpt of Minutes on Adoption of Bond Resolution, Supplemental Resolution and First Draw Resolution

Evidence of Insurance

Consent of United States Department of Agriculture

Prior Bond Resolutions

6. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the Issuer is "Frankfort Public Service District." The Issuer is a public service district duly created by The County Commission of Mineral County and presently existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of five (5) duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
A. Blane Murray	July 1, 2007	June 30, 2013
Paul Corwell	July 1, 2007	June 30, 2009
Douglas Brelsford	July 1, 2007	June 30, 2011
Gerald Frantz	July 1, 2007	June 30, 2009
Douglas Kenney	July 1, 2007	June 30, 2011

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2008 are as follows:

Chairman	Blane Murray
Secretary	Paul Corwell
Treasurer	Jerry Frantz

The duly appointed and acting counsel to the Issuer is F. Cody Pancake, III, Esquire, in Keyser, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

8. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and the acquisition, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly 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.

9. **LOAN AGREEMENT:** As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreement is true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Loan Agreement not misleading; and (iv) the Issuer is in compliance with all covenants, terms and representations in the Loan Agreement.

10. **RATES:** The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on August 28, 2007, in Case No.07,00001-PWD-19A and Final Order of the Public Service Commission of West Virginia entered on July 25, 2007 in Case No. 07-0222-W-30B approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. Such Final Order remains in full force and effect. The rates are currently in effect.

11. **PUBLIC SERVICE COMMISSION ORDERS:** The Issuer has received the Final Order and Commission Order of the Public Service Commission of West Virginia entered on January 29, 2008, in Case No. 06-1320-PWD-W-PC, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. The Issuer hereby certifies that it will not appeal such Order and the other parties to such Order have stated that they do not intend to appeal such Order. Such Final Order and Commission Order remain in full force and effect.

12. **SIGNATURES AND DELIVERY:** On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond, numbered AR-1 dated the date hereof, by his or her manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

13. **BOND PROCEEDS:** On the date hereof, the Issuer also received \$400,000 from the Authority and the Council, being a portion of the principal amount of the Series 2008 A Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as the Project progresses.

14. SPECIMEN BONDS: Delivered concurrently herewith is a true and accurate specimen of the Bonds.

15. CONFLICT OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Bond Legislation and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

16. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

17. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Blank]

WITNESS our signatures and the official seal of FRANKFORT PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE



Chairman



Secretary



Counsel to Issuer

04.23.08
306370.00002

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

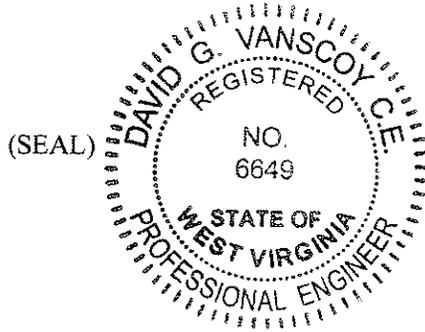
I, David G. Vanscoy, Registered Professional Engineer, West Virginia License No.6649, of Rummel, Klepper & Kahl, LLP, of Keyser, West Virginia, hereby certify this 6th day of May, 2008 as follows:

1. My firm is engineer for the acquisition of Wiley Ford Water Company (the "Project") to the existing public waterworks facilities (the "System") of Frankfort Public Service District (the "Issuer") to be primarily in Mineral County, West Virginia, which acquisition is being financed by the proceeds of the above-captioned bonds (collectively, the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on April 28, 2008 as supplemented by Supplemental Resolution duly adopted on April 28, 2008, and the Loan Agreement for the Series 2008 A Bonds, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated May 6, 2008 (the "Loan Agreement").

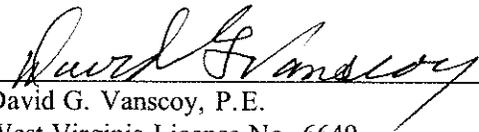
2. The Series 2008 A Bonds are being issued for the purposes of paying the costs of acquisition of the Project.

3. To the best of my knowledge, information and belief, (i) the Project, is adequate for its intended purpose and has a useful life of at least forty years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (ii) the Project is compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A; (iii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the Project and the operation of the System; (iv) in reliance upon the certificate of the Issuer's certified public accountant, Huber, Michaels & Company, as of the effective date thereof, the rates and charges for the System as approved by the Public Service Commission of West Virginia and adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement; (v) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of the Project; and (vi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

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



RUMMEL, KLEPPER & KAHL, LLP



David G. Vanscoy, P.E.
West Virginia License No. 6649

4/23/2008

SCHEDULE B
 Frankfort PSD
 Wiley Ford Water project
 2006W-923

A. COST OF PROJECT	TOTAL	Phase I
1 a. Construction		
b. Test Wells		
2 Technical Services RKK		
a. Planning		
b. Design		
c. Construction		
3 Legal & Fiscal		
a. Legal		
b. Legal -PSC		
c. Accounting		
4 Administrative		
5 Sites & Other Lands		
a. ROWs		
6 Acquisition of Wiley Ford	400,000.00	400,000.00
7 TOTAL of Lines 1 through 6	400,000.00	400,000.00
B. COST OF FINANCING		
8 Funded Reserve	0.00	0.00
9 Registrar		
10 Bond Counsel		
11 Cost of Issuance (lines 8 through 10)	0.00	0.00
12 TOTAL PROJECT COST line 7 plus line 11	400,000.00	400,000.00
C. SOURCES OF OTHER FUNDS		
13 Federal Grants		
14 State Grants		
15 Other Grants		
16 TOTAL GRANTS Lines 13 through 15	0.00	0.00
17 Size of Bond Issue (line 12 minus line 16)	400,000.00	400,000.00

A. Blane Young
 Frankfort PSD

May 6, 08
 Date

David H. Vanscoy
 RKK

May 6, 08
 Date

May 6, 2008

Frankfort Public Service District
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

Frankfort Public Service District
Wiley Ford, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure & Jobs Development Council
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the water rates and charges set forth in the Final Order entered on August 28, 2007, of the Public Service Commission of West Virginia in Case No.07-0001-PWD-19A it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund) (the "Bonds"), and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Issuer's Water Revenue Bonds, Series 1976, (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$223,000 and Water Revenue Bonds, Series 1993 (United States Department of Agriculture), dated December 2, 1993, issued in the original aggregate principal amount of \$2,000,000 (collectively, the "Prior Bonds").

It is further our opinion that the Net Revenues for the Fiscal Year following the year in which the Series 2008 A Bonds are issued will be at least 120% of the average annual debt service on the Prior Bonds and the Series 2008 A Bonds.

Sincerely,



HUBER, MICHAELS & COMPANY

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairman of the Public Service Board of Frankfort Public Service District in Mineral County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of the \$400,000 Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, dated May 6, 2008 (the "Bonds"), hereby certifies this 6th day of May, 2008 as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Resolution duly adopted by the Issuer on April 28, 2008 as supplemented by Supplemental Resolution duly adopted by the Issuer on April 28, 2008 (collectively, the "Bond Resolution"), authorizing the Bonds.

2. This certificate may be relied upon as the certificate of the Issuer.

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on May 6, 2008, the date on which the Bonds are being physically delivered in exchange for an initial advance of the principal amount of the Series 2008 A Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Infrastructure and Jobs Development Council (the "Council"), as the case may be, from which the proceeds of the Bonds are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2008 A Bonds were sold on May 6, 2008, to the Authority, pursuant to a loan agreement dated May 6, 2008, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of \$400,000 (100% of par), at which time, the Issuer received \$400,000 from the Authority and the Council, being the first advance of the principal amount of the Series 2008 A Bonds. No accrued interest has been or will be paid on the Series 2008 A Bonds. The balance of the principal amount of the Series 2008 A Bonds will be advanced to the Issuer as the Project progresses.

6. The Series 2008 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of paying the costs of the Project.

7. Within 30 days after the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds on the Project, constituting a substantial binding commitment. The Project and the allocation of the net sale proceeds of the Bonds to expenditures of the Project shall commence immediately and shall proceed with due diligence to completion all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before February 1, 2009. The Project is expected to be completed by December 1, 2008

10. The total cost of the Project is estimated at \$400,000. Sources and uses of funds for the Project are as follows:

SOURCES

Proceeds of the Series 2008 A Bonds	<u>\$ 400,000</u>
Total Sources	\$ 400,000

USES

Costs of the Project	<u>\$ 400,000</u>
Total Uses	\$ 400,000

11. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2008 A Bonds:

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Renewal and Replacement Fund (established as Depreciation Reserve by the Prior Resolutions);

- (3) Series 2008 A Bonds Project Trust Fund;
- (4) Series 2008 A Bonds Sinking Fund; and
- (5) Series 2008 A Bonds Reserve Account.

12. Pursuant to Article VI of the Bond Resolution, the proceeds of the Bonds will be deposited as follows:

(1) Series 2008 A Bond proceeds in the amount of \$-0- will be deposited in the Series 2008 A Bonds Sinking Fund as capitalized interest.

(2) Series 2008 A Bond proceeds in the amount of \$-0- will be deposited in the Series 2008 A Bonds Reserve Account.

(3) The balance of the proceeds of the Series 2008 A Bonds will be deposited in the Series 2008 A Bonds Project Trust Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Series 2008 A Bonds and related costs.

13. Monies held in the Series 2008 A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2008 A Bonds and will not be available to meet costs of the Project. All investment earnings on monies in the Series 2008 A Bonds Sinking Fund and Series 2008 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2008 A Bonds Project Trust Fund during the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

14. Work with respect to the Project will proceed with due diligence to completion. The Project is expected to be completed within seven (7) months of the date hereof.

15. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

16. With the exception of the amount deposited in the Series 2008 A Bonds Sinking Fund for payment of interest, if any, on the Bonds and the amount deposited in the Series 2008 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within ten (10) months from the date of issuance thereof.

17. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

18. The amount designated as costs of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

19. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

20. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

21. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

22. The Issuer shall use the Bond proceeds solely for the costs of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

23. The Bonds are not federally guaranteed.

24. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain public purpose bonds.

25. The Issuer has either (a) funded the Series 2008 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due, on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2008 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2008 A Bonds Reserve Account hold an amount equal to the maximum amount of principal and interest which will mature and become due, respectively, on the Bonds in the then current or any succeeding year. Monies in the Series 2008 A Bonds Reserve Account and the Series 2008 A Bonds Sinking Fund will be used solely to pay principal of and interest on each series of the Bonds and will not be available to pay costs of the Project.

26. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Series 2008 A Bonds, (b) are to be sold pursuant to a common plan of financing together with the 2008 A Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

27. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

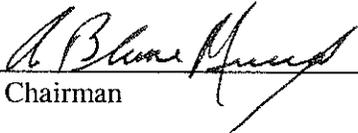
28. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

29. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

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

FRANKFORT PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

04.23.08
306370.00002



CERTIFIED COPY

STATE OF WEST VIRGINIA

COUNTY OF MINERAL, TO-WIT:

I, Ruby L. Staggs, Clerk of the County Commission of Mineral County, Court of Record in and for said County and State, do certify that the foregoing is a true, accurate and complete photostatic copy of the Proposing Creation of Frankfort Public Service District minutes of February 14, 1974.



IN WITNESS WHEREOF,
I have set my hand
and the seal of said
Commission at my
office in said
County this 15th day
of September, 19 97

Ruby L. Staggs
Clerk of the County Commission

By Barbara T. Keener

February 14, 1974

Members Present--J. R. Haines, President, Charles A. Bonar and Brooks O. Evans, Members.

MASTELLER COAL COMPANY, APPRAISAL--Edwin Jordan met with the County Court along with Assessor Leslie Yost. Mr. Yost informed the Court that he had contacted Mr. Changes in Charleston. Mr. Changes thought Mr. Yost had the new appraisal for Masteller Coal Company, when Mr. Yost informed him he had not received the new sheets he told him he would see he received them as soon as possible. The Court requested Mr. Jordan to attend the next County Court meeting to be held in February 14, 1974 and they would try and work something out for him at that time.

FIRE COMPANIES--Larry Mongold, President Mineral County Fireman's Association, along with several other members appeared before the Court requesting the Court to submit five thousand (\$5,000.00) dollars for each fire company in this year's budget. The Court requested each fire company to submit their own request.

ON MOTION MEETING RECESSED until February 14, 1974.


President

February 14, 1974

Pursuant to the Recessed Special Meeting of February 9, 1974 the County Court met this 14th day of February, 1974 at 9:00 o'clock a.m. for its Regular Meeting and also sat as a Board of Review and Equalization.

The meeting was called to order by the President, J. R. Haines and opened with prayer by Brooks O. Evans.

Members Present were J. R. Haines, President, Charles A. Bonar and Brooks O. Evans, Members.

The minutes of the preceding meeting were read. After alterations and corrections were made the minutes stand approved as read.

BETTY LOU BARBARITO-GUARDIAN BOND---Betty Lou Barbarito, along with Gary Athey her attorney, appeared before the Court regarding the Guardian Bond for Kathy Barbarito, Frederick Barbarito, Sebastian Barbarito, Jr. and Rose Barbarito. Mrs. Barbarito petitioned the Court, requesting the Bond be changed from the Mineral County Insurance Center (Travelers Indemnity Co.) as her surety, due to the expense of the bond, and Dorsia Westfall was allowed to act as surety for her. Mrs. Barbarito also requested the bond be reduced from \$10,000.00 to \$6,000.00. This motion was seconded by J. R. Haines.

ENERGY CRISES--Charles A. Bonar made the motion to adopt a resolution to be published in the newspaper thanking the citizens in Mineral County for their cooperation in the energy crises.

FIRE COMPANIES--Brooks O. Evans made the motion to give the twelve (12) fire companies in Mineral County the amount of Two Thousand-five hundred (\$2,500.00) Dollars, this month, if the money is available in the budget. This motion seconded by Charles A. Bonar.

~~REDACTED~~---Upon the motion made by Charles A. Bonar and duly seconded by Brooks O. Evans, passed unanimously, the County Court of Mineral County decided to proceed with the creation of a Public Service District, for Water and Sewage, to be known as the Frankfort Public Service District with the following boundaries: Beginning at the intersection of the Frankfort-Cabin Run Magisterial District and the North Branch Potomac River, thence, north-easterly along the river to its intersection with the southern boundary of the town of Ridgeley Corporation line, thence east along the corporation line to its intersection with the North Branch Potomac River, thence, southeasterly along the meanders of the river to its intersection with the Mineral-Hampshire County line, thence, south-westerly along county line to its intersection with the Frankfort-Cabin Run Magisterial District line, thence, northwesterly along magisterial district line to the North Branch, Potomac River, the point of beginning. The area contains approximately 100 square miles. The district service area excludes the town of Ridgeley and the Fort Ashby Public Service District. The date for the hearing for its creation--A Public Hearing will be held on March 15, 1974 at 7 o'clock p.m. in the Court Room of the Court House, in the city of Keyser, W. Va., at which hearing a creation of the district will be further considered by the County Court and citizens may be heard, for or against the creation of this Public Service

District, for water and sewage. Notice of the date of the hearing, time and place thereof and the description of the area to be served shall be published one (1) time in the Mineral Daily New Tribune at least ten (10) days before the date of hearing and shall be posted in five conspicuous places in Frankfort District.

MUSICAL FESTIVAL--George Barger appeared before the Court on behalf of Charles P. Simpson from Coccaresville, Md. and W. L. Haines to inform the Court that Mr. Simpson would be hold a musical festival on the W. L. Haines Farm, going from Fort Ashby to Patterson Creek, on Memorial Day.

MASTELLAR COAL COMPANY, INDUSTRIAL APPRAISAL TEAM--Upon motion of Charles Bonar and duly seconded by Brooks O. Evans to request the State Tax Commissioner to send the Industrial Appraisal Team to Mineral County to re-appraise the Mastellar Coal Company, Deep Mine, Strip Mine and Typle. This personal property was last appraised in May of 1973 by Mr. Changes and subsequently readjusted by phone conversation with Mineral County Assessor on or about February 1, 1974. Mr. Edward Jordan, in behalf of Mastellar Coal Company appeared before the Board of Review and Equalization on February 14, 1974 to lodge protest to appraisal values of aforementioned Mastellar Coal Co. machinery and equipment.

WALTER A WENNER-DOG SITUATION--Walter A. Wenner appeared before the Court complaining about excess dog situation across New Creek in Willow Avenue section.

SELBY G. JACOBS-JUSTICE OF PEACE--Brooks O. Evans made the motion and duly seconded by J. R. Haines to appoint Selby G. Jacobs, Justice of the Peace for New Creek District to serve until after the General Election in November, 1974.

PRECINCTS BOUNDARIES--The County Court, by Charles A. Bonar and seconded by Brooks O. Evans, passed unanimously to enter an order that the boundaries of the several election precincts and the four (4) new election precincts be located and constituted as provided in an order entered at the Regular Meeting of the County Court held on December 11, 1973 in Order Book 17, at page 80. (See copy of Order in File Envelope, dated February 14, 1974). SEE ORDER OF CHANGING VOTING PRECINCTS BELOW

ARTHUR W. WAYBRIGHT-ASSESSMENT--Mr. Arthur W. Waybright appeared before the County Court regarding his assessment on his home in Elk District. The State of West Virginia had Arthur W. Waybright appraised at 70% of the true and actual value. The Mineral County Court on February 14, 1974 agreed that he should only be assessed on 50% of the true and actual value. Charles Bonar made the motion that he be allowed credit for overpayment for 1973. His 1974 taxes to go back to being assessed at 50% of the appraised value until a State Appraisal can be made.

WASHINGTON'S BIRTHDAY HOLIDAY--Permission was granted to allow all offices in the Court House to be closed on Saturday, February 16, 1974 in observance of Washington's Birthday along with Monday, February 18, 1974. The next regular meeting of the Court to be held on March 12, 1974.

ORDER: On this 14th day of February 1974, the Court being in Regular Session pursuant to a call made and published according to law wherein said notice stipulated among other matters to be considered by the Court at said Regular Session the said Court also took action and entered an order in regard to changes made in voting precincts in Mineral County.

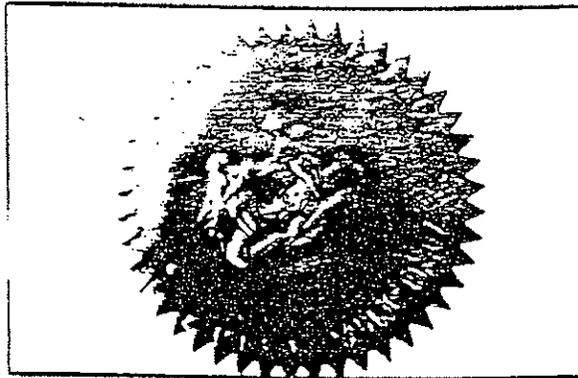
And it appearing to the Court that at a prior session of this Court an order was entered on the 11th day of December, 1973, directing the President of the Court to assemble data concerning the advisability of re-locating and re-establishing the boundary lines of the several voting precincts of Mineral County; also adding new precinct and it further appearing to the Court that on the 11th day of December, 1973, the Court entered an order directing the publishing of all notices as required by the statutes for the purpose of fixing a day at which time the Court would consider the matter of changes in location of the boundaries of the several voting precincts in Mineral County and thereupon entered an order in reference thereto: and it further appearing to the Court that a notice was published according to the provisions of the statutes fixing the 14th day of February, 1974 at the hour of 4 o'clock p.m. as the day and time when the County Court would enter an order re-locating and re-establishing the boundaries of the several voting precincts, also adding four (4) new precincts in Mineral County, that said notice was published in the newspaper of Mineral County

CERTIFIED COPY

STATE OF WEST VIRGINIA

COUNTY OF MINERAL. TO, WIT:

I, Ruby L. Staggs, Clerk of the County Commission of Mineral
County, Court of Record in and for said County and State, do certify
that the foregoing is a true, accurate and complete photostatic copy of
the Order Creating Frankfort Public Service District recorded
in Minutes of April 15, 1974



IN WITNESS WHEREOF,
I have set my hand
and the seal of said
Commission at my
office in said
County this 15th day
of September, 19 97

Ruby L. Staggs
Clerk of the County Commission

By

Barbara L. Kuebler

April 15, 1974

such office, and he is a person of good moral character, and the same is approved.

GEORGE A. HARTMAN-NOTARY APPLICATION--Upon the application of George A. Hartman for appointment as Notary Public in and for the County of Mineral, it was shown to the satisfaction of this court that said applicant is a resident of the County from which he seeks appointment, that he is competent to perform the duties of such office, and he is a person of good moral character, and the same is approved.

ALL EXONERATION, SETTLEMENTS AND APPRAISEMENT WERE APPROVED.

SHEEP CLAIMS-W. M. EISENHOUR--The sheep claim of W. M. Eisenhower was reviewed and upon checking the Assessor's office the sheep had been assessed at the same amount he had turned in. Charles A. Bonar made the motion to pay the amount of \$240.00, seconded by Brooks O. Evans.

ELECTION OFFICIALS--The Republican and Democratic Election officials were presented, reviewed and accepted for the letters to be mailed.

NOTARY CERTIFICATE-FRED M. BOYLES--The Notary Certificate of Fred M. Boyles, Upsur County, was approved.

WILLIAM WAGELEY-COMMITTEE FOR R. LEE ALLEN--William Wageley, along with Attorney Charles Smith appeared before the County Court for the Committee Appointment of R. Lee Allen. After discussing and reviewing the matter William Wageley was appointed Committee for R. Lee Allen, bond being in the amount of \$50,000.00.

~~RE: PARK AND RECREATION-AUTHORITY~~--The County Court this day approved the following Order for the creation of Frankfort Public Service District.

IN THE COUNTY COURT OF MINERAL COUNTY, WEST VIRGINIA

IN THE MATTER OF

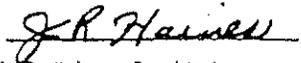
CREATION OF FRANKFORT PUBLIC SERVICE DISTRICT

ORDER

On this the 15th day of April, 1974, at the regular April session of the County Court of Mineral County, West Virginia, this Honorable Court, after first having published notice of a hearing on the creation of a public service district as required by law, and after conducting a hearing thereon on Friday, March 15, 1974, at which time there was no written protest, now determines that such public health, comfort and convenience of such area and does ORDER the creation of the Frankfort Public Service District which is more particularly described as follows:

Beginning at the intersection of the Frankfort-Cabin Run Magisterial District and the North Branch Potomac River thence, northeasterly along river to its intersection with the southern boundary of the town of Ridgeley corporation line, thence east along the corporation line to its intersection with the meanders of the river to its intersection with the Mineral-Hampshire County line, thence, southwesterly along county line to its intersection with the Frankfort-Cabin Run Magisterial District line, thence, northwesterly along magisterial district line to the North Branch Potomac River, the point of beginning, containing approximately 100 square miles.

The district service area excludes the town of Ridgeley and the Fort Ashby Public Service District.


J. R. Haines, President

RE: CARL H. JOHNSON--NOTARY BOND--The Notary Bond of Carl H. Johnson, was approved in the amount of \$300.00 with Delsie E. Johnson as his surety.

RE: EDWARD A McGRADY--NOTARY BOND--The Notary Bond of Edward A. McGrady was approved in the amount of \$300.00 with Margaret H. McGrady as his surety.

RE: NORA L. KIMBLE--NOTARY BOND--The Notary Bond of Nora L. Kimble was approved in the amount of \$300.00 with James L. Kimble as her surety.

RE: CARL R. LUDWICK--NOTARY BOND--The Notary Bond of Carl R. Ludwick was approved in the amount of \$300.00 with Charles D. Ludwick as his surety.

RE: PARK AND RECREATION-AUTHORITY--Mr. Ty Epling with Parks and Recreation met with the Court to discuss how much authority he had to go ahead with the Parks and Recreation Program. The County Court advised him they

Creation of Carpendale Public Service District. Upon motion of Charles L. Logsdon, second by Raymond H. Tasker, and passed by unanimous vote, the following Order was approved for the creation of the Carpendale Public Service District:

ORDER

IN THE COUNTY COMMISSION OF MINERAL COUNTY, WEST VIRGINIA IN THE MATTER OF

CREATION OF CARPENDALE PUBLIC SERVICE DISTRICT

On this the 13th day of September, 1977 at the regular session of the County Commission of Mineral County, West Virginia, the Honorable Commission, after first having published Notice of a Public Hearing on the creation of a public service district as required by law, and after conducting a hearing thereon on Tuesday, August 30, 1977, at which time there was no written protest, now determines that such public health, comfort and convenience of such area and does ORDER the creation of the Carpendale Public Service District, which is more particularly described as follows:

Beginning at the point of intersection of the West Virginia-Maryland Border and the southern boundary of the Town of Ridgeley; thence in a southeasterly direction following the southerly boundary of the Town of Ridgeley a distance of 1,200 feet, more or less, to a point on top of Knobley Mountain; thence in a southwesterly direction generally following the top of Knobley Mountain, but in a straight line, a distance of 6,100 feet, more or less, to a point on top of Knobley Mountain; thence in a southwesterly direction passing over a high point on Knobley Mountain and crossing the Western Maryland Railroad to a point on the West Virginia-Maryland border; thence following the West Virginia-Maryland border in a generally northeasterly direction to the place of beginning, said boundaries more particularly shown on a map prepared by VTN, Inc., and signed by Allen A. VanHorn, P.E.

The district service area excludes the Frankfort Public Service District, and is created for water and sewage.

D. B. B. B.
President

Carpendale Public Service District Commission - Members. The following persons were appointed to serve on the Carpendale Public Service District Commission: Margaret Phillips, President, 6 years; Robert Frye, Vice President, 2 years, and Dorrin Armentrout, Secretary Treasurer, 4 years.

BEFORE THE COUNTY COMMISSION OF MINERAL COUNTY, WEST VIRGINIA

RE: Incorporation of the Town of Carpendale

O R D E R

On this the 3rd day of January, 1990, the County Commission of Mineral County, West Virginia, considered the incorporation of the town of Carpendale. Upon the returns being canvassed, the County Commission finds that a majority of the legal votes cast on the question of incorporation of the town or village of Carpendale, were in favor of such incorporation. The County Commission further finds that the residents of Carpendale, this County Commission, and the office of the Clerk of the County Commission have complied with all applicable provisions of the West Virginia Code 8-2-1 et seq.

Upon the matters considered, the County Commission directs the Clerk of said Commission to issue a certificate of incorporation in the form and substance as follows:

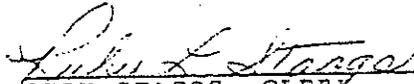
It appearing to the court (commission) of Mineral County, West Virginia, that under the provisions of Article Two, Chapter 8 (8-2-1 et seq.), as amended, at an election duly held on the 7th day of November, 1989, a majority of the legal votes cast on the question of incorporation by the qualified voters of the following territory, to wit: BEGINNING at the intersection

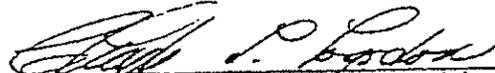
of the North Branch of the Potomac River, the West Virginia state line and southern corporation line of the town of Ridgeley; thence, following the corporation line eastward to the top of Knobley Mountain; thence, following top of ridge of mountain southward to a knob, elevation approximately 1540'; thence, West to the North Branch of the Potomac River opposite an island in river and the West Virginia state line; thence, following the state line down the river to the BEGINNING, were cast in favor of the incorporation of the town or village of Carpendale, in the County of Mineral, bounded as herein set forth; and it appearing to the satisfaction of the court (commission) that all of the provisions of Article Two, Chapter Eight of the Code of West Virginia, as amended, have been complied with by the petitioners for said incorporation, said town or village is hereby declared to be a body corporate, duly authorized to exercise all of the corporate powers conferred upon towns or villages by Chapter Eight, (8-1-1 et seq.) of the Code of West Virginia, as amended, from and after the date of this certificate.

The County Commission of Mineral County further Orders and Directs that Rev. Elmer Sprinkle, Phares L. Hostettler and William D. Thompson are hereby appointed to act as commissioners

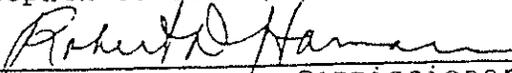
of election of the first election of the officers to be held in
Carpendale as provided by West Virginia Code 8-5-2 et seq.

Given under our hands this 2nd day of January, 1990.


RUBY STAGGS, CLERK
COUNTY COMMISSION


Charles L. Logsdon, President

Stephen C. Sluss, Commissioner


Robert D. Harman, Commissioner

STAGGERS
& WEBB
ATTORNEYS AT LAW
YSER, WY 26726-0876

SDR 253 101013

BEFORE THE COUNTY COMMISSION OF MINERAL COUNTY, WEST VIRGINIA

RE: Incorporation of Town of Carpendale

CERTIFICATE OF INCORPORATION

It appearing to the court (commission) of Mineral County, West Virginia, that under the provisions of Article Two, Chapter 8 (8-2-1 et seq.), as amended, at an election duly held on the 7th day of November, 1989, a majority of the legal votes cast on the question of incorporation by the qualified voters of the following territory, to wit: BEGINNING at the intersection of the North Branch of the Potomac River, the West Virginia state line and southern corporation line of the town of Ridgeley; thence, following the corporation line eastward to the top of Knobley Mountain; thence, following top of ridge of mountain southward to a knob, elevation approximately 1540'; thence, West to the North Branch of the Potomac River opposite an island in river and the West Virginia state line; thence, following the state line down the river to the BEGINNING, were cast in favor of the incorporation of the town or village of Carpendale, in the County of Mineral, bounded as herein set forth; and it appearing to the satisfaction of the court (commission) that all of the provisions of Article Two, Chapter Eight of the Code of West Virginia, as amended, have been complied with by the petitioners

STAGGERS
& WEBB

ATTORNEYS AT LAW
YSER. WV 25726-0878

NOV 27 1989

for said incorporation, said town or village is hereby declared to be a body corporate, duly authorized to exercise all of the corporate powers conferred upon towns or villages by Chapter Eight, (8-1-1 et seq.) of the Code of West Virginia, as amended, from and after the date of this certificate.

The County Commission of Mineral County further Orders and Directs that Rev. Elmer Sprinkle, Phares L. Hostettler and William D. Thompson are hereby appointed to act as commissioners of election of the first election of the officers to be held in Carpendale as provided by West Virginia Code 8-5-2 et seq.

Given under our hands this 10th day of January, 1990.

Phares L. Hostettler
Clerk County Court
(County Commission)

Charles L. Logsdon
Charles L. Logsdon, President

Stephen C. Sluss, Commissioner

Robert D. Harman
Robert D. Harman, Commissioner

STATE OF WEST VIRGINIA, MINERAL COUNTY, TO-WIT:

Be it remembered that on, this 10th day of January, 1990
at 2:21 o'clock P. M., the foregoing County Order
with the certificate thereto annexed, was presented in the Office of the Clerk of the County Commission and admitted to record.

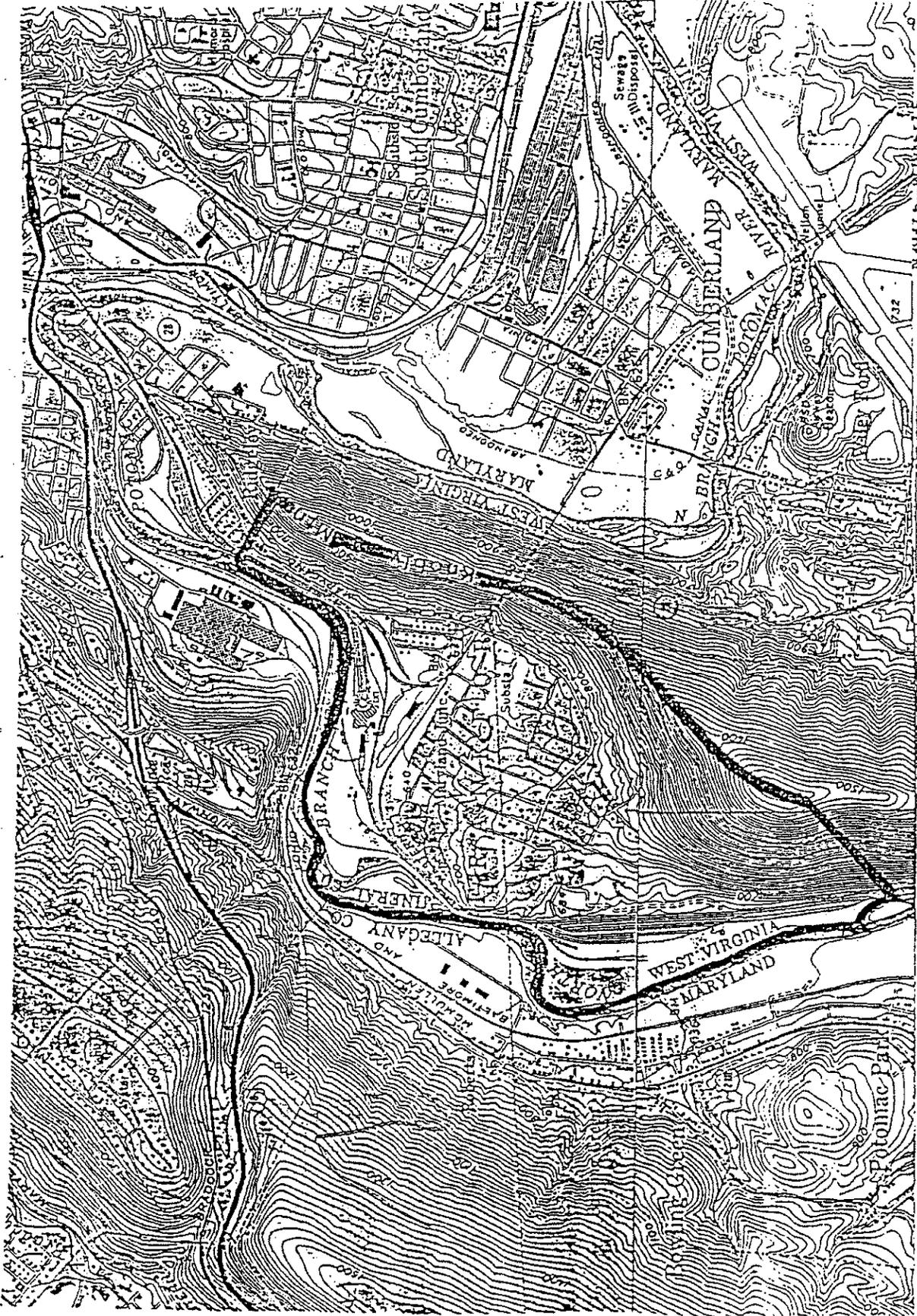
Phares L. Hostettler
Clerk County Commission

DAYTON & HARRIS INC., SPENCER, W. VA. BY ORDER NO. 92245-89

STAGGERS
& WEBB
ATTORNEYS AT LAW
FERR, WY 26726-0878

BOOK 253 PAGE 613

TOWN OF CAKENDALE
Frankfort District, Mineral County, West Virginia



Scale 1" = 2000'
Date: August 30, 1989
VANSCOY ENGINEERING & SURVEYING

ORDER

ESTABLISHING THE TERMS OF OFFICE FOR
THE MEMBERS OF THE FRANKFORT PUBLIC SERVICE DISTRICT

WHEREAS, the Mineral County Commission, hereinafter referred to as the "Commission", entered into an Order on the 8th day of February, 2005, merging the Fort Ashby Public Service District and the Frankfort Public Service District, and

WHEREAS, the West Virginia Public Service Commission entered an Order on August 19, 2005 approving the merger of the two public service districts contingent upon the approval of the bondholders for both districts, and

WHEREAS, the Commission's Order merging the two districts provided for expansion of the Frankfort Public Service District from three members to five members, and

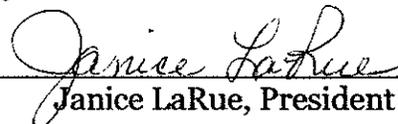
WHEREAS, the Commission, in anticipation of the consent from the bondholders to the merger, did take action to appoint members to the Frankfort Public Service District Board effective July 1, 2007.

NOW THEREFORE BE IT ORDERED that the Mineral County Commission does hereby recognize that the following individuals have been previously appointed to the Board of the Frankfort Public Service District and their terms of office shall be as set forth below:

Paul Corwell	July 1, 2007 to June 30, 2009
Gerald Frantz	July 1, 2007 to June 30, 2009
Douglas Brelsford	July 1, 2007 to June 30, 2011
Douglas Kenney	July 1, 2007 to June 30, 2011
Blane Murray	July 1, 2007 to June 30, 2013

Further, each new appointment or reappointment shall be in compliance with West Virginia Code 16-13A-3.

Entered this the 25th day of March, 2008.



Janice LaRue, President

Attest:



Lauren T. P. Ellifritz, County Clerk

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF MINERAL TO WIT:

I, Paul Corwell, 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 Frankfort Public Service District Board Member
for term ending June 30, 2009

to the best of my skill and judgement SO HELP ME GOD.

Print name and address:

Paul Corwell
Route 1, Box 205
Wiley Ford, WV 26767

(Signature of affiant) Paul Corwell

Subscribed and sworn to before me, in said County and State, this 26th
day of July, 2007.

Lauren T. P. Ellifritz

State of West Virginia, Mineral County, to-wit:
Be it remembered that on this 1
day of April 2008. The
foregoing Oath was
presented in the Office of the Clerk of County
Commission and admitted to record.
Lauren T. P. Ellifritz
Clerk of County Commission

7-2-08

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF MINERAL TO WIT:

I, Gerald Frantz, 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 Frankfort Public Service District Board Member
for term ending June 30, 2009.

to the best of my skill and judgement SO HELP ME GOD.

Print name and address:

Gerald Frantz
Route 2, Box 478-F
Ridgeley, WV 26753

(Signature of affiant) *Gerald Frantz*

Subscribed and sworn to before me, in said County and State, this 26th
day of July, 2007.

Lauren T. P. Ellifritz

State of West Virginia, Mineral County, to-wit:
Be it remembered that on this 1
day of April 2008. The
foregoing Oath was
presented in the Office of the Clerk of County
Commission and admitted to record.
Lauren T. P. Ellifritz
Clerk of County Commission *LE*

MB

General County Clerk
CAPITAL OFFICE Clerk 04
Date/Time 04/01/2008 15:23
Inst #: 7473
Book/Page: 4 3/3
Recd/Text: 10

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF MINERAL TO WIT:

I, Douglas Brelsford, 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 Frankfort Public Service District Board Member
for term ending June 30, 2011
to the best of my skill and judgement **SO HELP ME GOD.**

Print name and address:

Douglas Brelsford
Route 1, Box 28-O
Wiley Ford, WV 26767

(Signature of affiant) *Douglas Brelsford*

Subscribed and sworn to before me, in said County and State, this 26th
day of July, 2007.

Lauren T. P. Ellifritz

State of West Virginia, Mineral County, to-wit:
Be it remembered that on this 1
day of April, 2008, The
foregoing Douglas Brelsford was
presented in the Office of the Clerk of County
Commission and admitted to record.
Lauren T. P. Ellifritz
Clerk of County Commission

7/13

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF MINERAL TO WIT:

I, Douglas Kenney, 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 Frankfort Public Service District Board Member
for term ending June 30, 2011

to the best of my skill and judgement **SO HELP ME GOD.**

Print name and address:

Douglas Kenney
P.O. Box 434
Fort Ashby, WV 26719

(Signature of affiant) *Douglas Kenney*

Subscribed and sworn to before me, in said County and State, this 26th
day of July, 2007.

Lauren T. P. Ellifritz

State of West Virginia, Mineral County, to-wit:
Be it remembered that on this 1
day of April, 2008. The
foregoing oath was
presented in the Office of the Clerk of County
Commission and admitted to record.
Lauren T. P. Ellifritz *LE*
Clerk of County Commission

up 4/5

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF MINERAL TO WIT:

I, A. Blane Murray, 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 Frankfort Public Service District Board Member
for term ending June 30, 2013

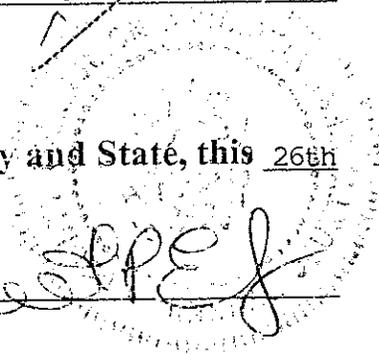
to the best of my skill and judgement SO HELP ME GOD.

Print name and address:

A. Blane Murray
Route 2, Box 217
Ridgeley, WV 26753

(Signature of affiant) *A. Blane Murray*

Subscribed and sworn to before me, in said County and State, this 26th
day of July, 2007.

Lauren T. P. Ellifritz


State of West Virginia, Mineral County, to-wit:
Be it remembered that on this 1
day of April, 2008, The
foregoing Cath was
presented in the Office of the Clerk of County
Commission and admitted to record.
Lauren T. P. Ellifritz
Clerk of County Commission *LE*

7/26/07

RULES OF PROCEDURE
FRANKFORT PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: FRANKFORT PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at the intersection of Plum Run Road and Knobley Drive, Short Gap, Mineral County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Frankfort Public Service District, and in the center shall be inscribed the Corporate Seal:

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 Mineral 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 2nd Monday 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, two (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 three (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 Mineral 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 Mineral County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a special meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is

cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 10th day of April, 2006.

04/06/06
306370.00001

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

EXCERPT OF MINUTES ON APPOINTMENT OF OFFICERS AND
ADOPTION OF RESOLUTIONS

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

The Public Service Board of Frankfort Public Service District met in regular session, pursuant to notice duly posted, on the 28th day of April, 2008, in Mineral County, West Virginia, at the hour of 7:30 pm.

PRESENT: Blane Murray
 Paul Corwell
 Jerry Frantz
 Douglas Kenney
 Douglas Brelsford

ABSENT: NONE

Blane Murray, Chairman, presided, and Paul Corwell, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, a motion was made by Paul Corwell and seconded by Jerry Frantz to elect Blane Murray Chairman to the Public Service Board. It was unanimously ordered that motion pass.

Thereupon, a motion was made by Jerry Frantz and seconded by Blane Murray to elect Paul Corwell Secretary to the Public Service Board. It was unanimously ordered that motion pass.

Thereupon, a motion was made by Blane Murray and seconded by Paul Corwell to elect Jerry Frantz Treasurer to the Public Service Board. It was unanimously ordered that motion pass.

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

RESOLUTION AUTHORIZING THE ACQUISITION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF FRANKFORT PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$400,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Blane Murray and seconded by Jerry Frantz, it was 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 Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISIONS, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF FRANKFORT PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Blane Murray and seconded by Jerry Frantz, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented First Draw Resolution for consideration and there was discussion. Thereupon, on motion duly made by Blane Murray and seconded by Jerry Frantz, it was unanimously ordered that the said First Draw Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented Sweep Resolution for consideration and there was discussion. Thereupon, on motion duly made by Jerry Frantz and seconded by Douglas Kenney, it was unanimously ordered that the said Sweep Resolution be adopted and be in full force and effect on and from the date hereof.

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

[Remainder of Page Intentionally Blank]

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Frankfort 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 6th day of May, 2008.


Secretary

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

EXCERPT OF MINUTES ON APPOINTMENT OF OFFICERS AND
ADOPTION OF RESOLUTIONS

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and caused the same to be read and there was discussion. Thereupon, on motion duly made by Blane Murray and seconded by Jerry Frantz , it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented First Draw Resolution for consideration and there was discussion. Thereupon, on motion duly made by Blane Murray and seconded by Jerry Frantz, it was unanimously ordered that the said First Draw Resolution be adopted and be in full force and effect on and from the date hereof.

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

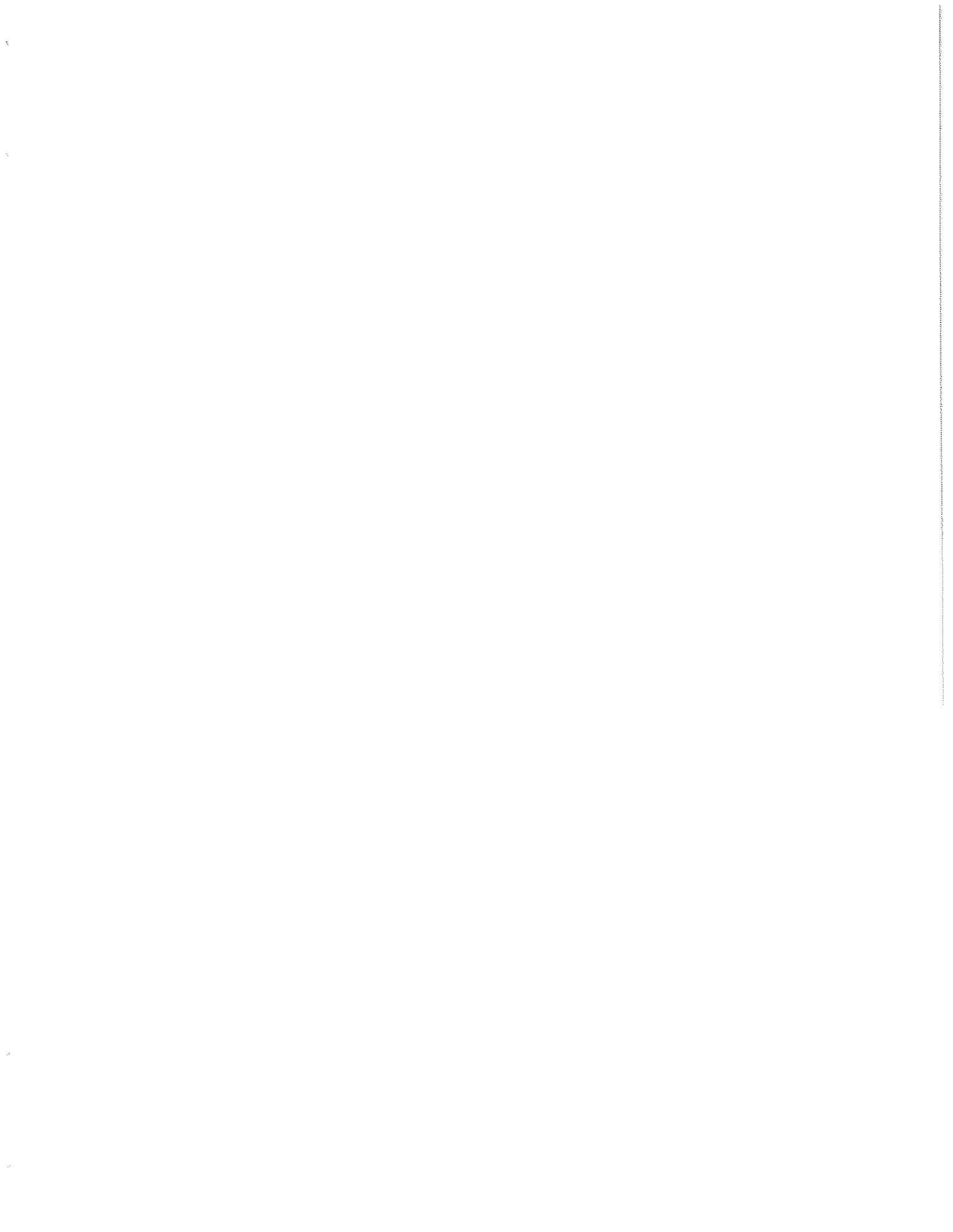
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CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Frankfort 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 6th day of May, 2008.


Secretary



Date of Report: May 6, 2008

(See Reverse for Instructions)

ISSUE: Frankfort Public Service District Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund)

ADDRESS: P.O. Box 80, Wiley Ford, West Virginia 26767

COUNTY: Mineral

PURPOSE OF ISSUE: New Money: X
 Refunding: _____

REFUNDS ISSUE(S) DATED: _____

ISSUE DATE: May 6, 2008

CLOSING DATE: May 6, 2008

ISSUE AMOUNT: \$ 400,000

RATE: 0 %

1ST DEBT SERVICE DUE: December 1, 2008

1ST PRINCIPAL DUE: December 1, 2008

1ST DEBT SERVICE AMOUNT: \$2,532

PAYING AGENT: Municipal Bond Commission

BOND

COUNSEL: Stephoe & Johnson PLLC
 Contact Person: John C. Stump, Esq.
 Phone: 353.8196

UNDERWRITERS

COUNSEL: Jackson Kelly PLLC
 Contact Person: Samme L. Gee, Esq.
 Phone: 340.1318

CLOSING BANK: First Peoples Community Federal
 Credit Union
 Contact Person: Liz Lark
 Phone: 301.783.3041

ESCROW TRUSTEE: _____
 Contact Person: _____
 Phone: _____

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Mike Bland
 Position: County Coordinator
 Phone: 304.788.5921

**OTHER: WV Infrastructure and Jobs
 Development Council**

Contact Person: Jefferson Brady
 Function: Executive Director
 Phone: 558.4607

DEPOSITS TO MBC AT CLOSE:
 By: _____ Wire
 _____ Check

Accrued Interest: \$ _____
 Capitalized Interest: \$ _____
 Reserve Account: \$ _____
 Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE

By: _____ Wire To Escrow Trustee: \$ _____
 _____ Check To Issuer: \$ _____
 _____ IGT To Cons. Invest. Fund: \$ _____
 _____ To Other: \$ _____

NOTES: The Series 2008A Bonds Reserve Account will be funded over ten (10) years.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: _____
 TRANSFERS REQUIRED: _____

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

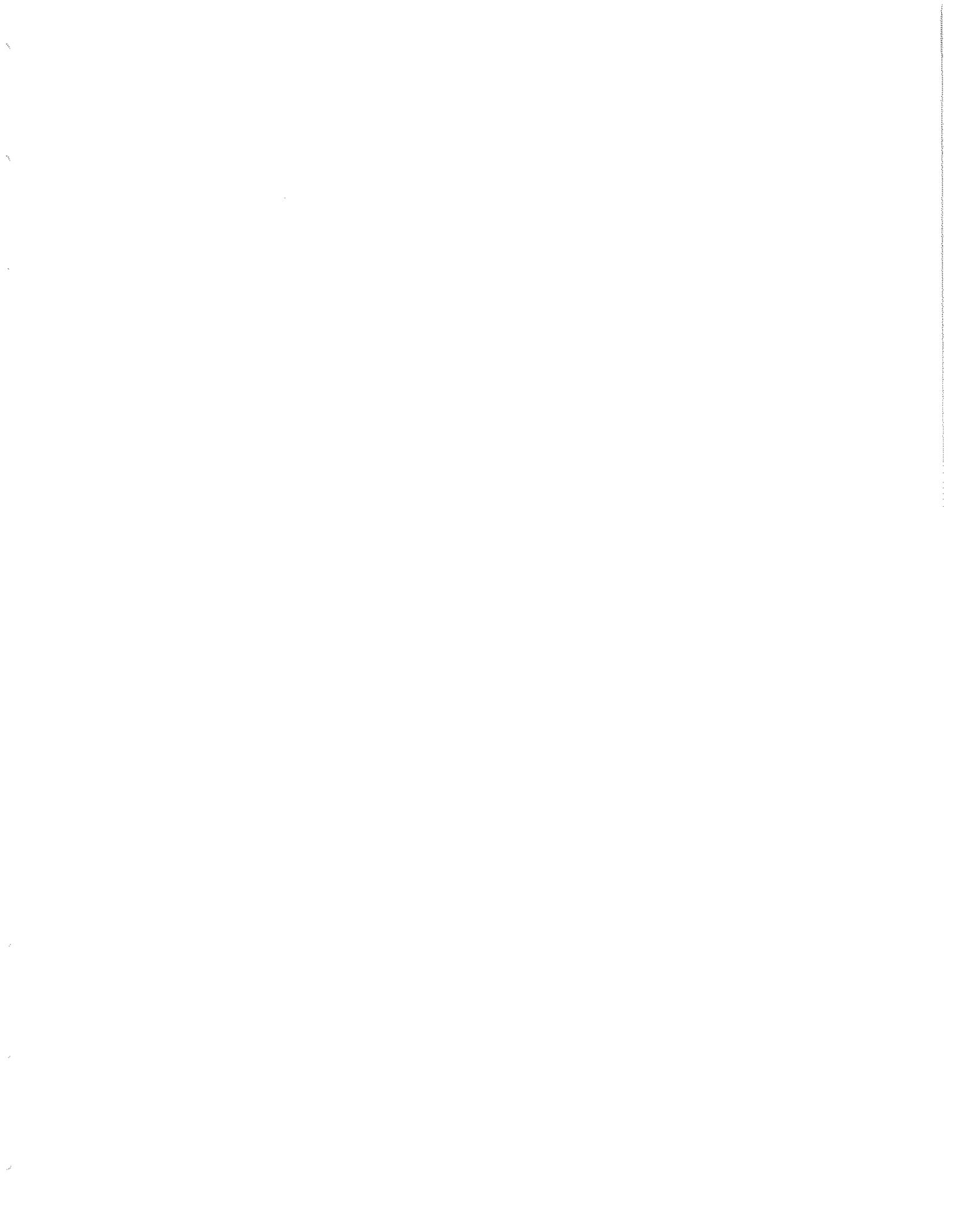
The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

04.23.08
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FRANKFORT PUBLIC SERVICE DISTRICT

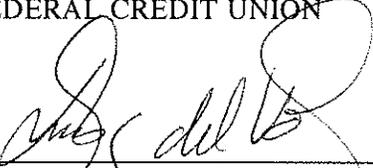
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

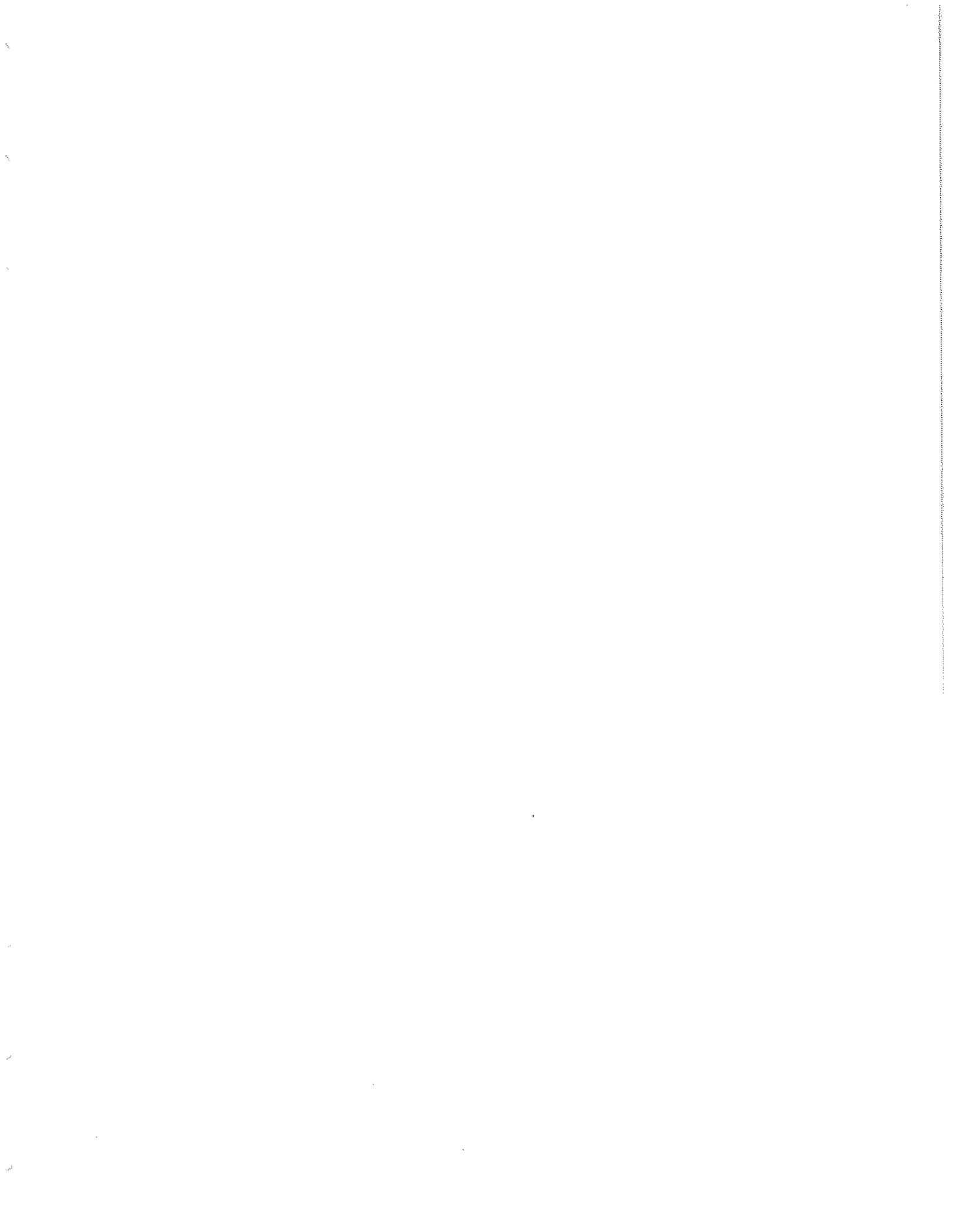
First Peoples Community Federal Credit Union, Cumberland, Maryland, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of Frankfort Public Service District (the "Issuer") adopted April 28, 2008, and the Supplemental Resolution of the Issuer adopted April 28, 2008 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the principal amount of \$400,000 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this May 6, 2008.

FIRST PEOPLES COMMUNITY
FEDERAL CREDIT UNION

By: 
Its: Authorized Officer

04.23.08
306370.00002



FRANKFORT PUBLIC SERVICE DISTRICT

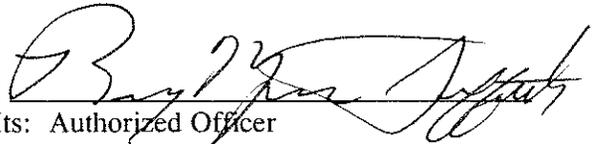
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS REGISTRAR

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Frankfort Public Service District Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the principal amount of \$400,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 6th day of May, 2008.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

FRANKFORT PUBLIC SERVICE DISTRICT

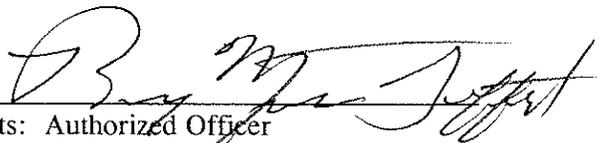
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of Frankfort Public Service District (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Water Revenue Bond, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, dated May 6, 2008, in the principal amount of \$400,000, numbered AR-1, was registered as to principal only in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 6th day of May, 2008.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

04.23.08
306370.00002

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 6th day of May, 2008, by and between FRANKFORT PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$400,000 Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), in fully registered form (the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted April 28, 2008, and the Supplemental Resolution of the Issuer duly adopted April 28, 2008 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as EXHIBIT A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

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

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

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

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

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

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule.

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

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

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

ISSUER: Frankfort Public Service District
P.O. Box 80
Wiley Ford, West Virginia 26767
Attn: Chairman

REGISTRAR: The Huntington National Bank
One Huntington Square
Charleston, West Virginia 25301
Attention: Corporate Trust Department

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

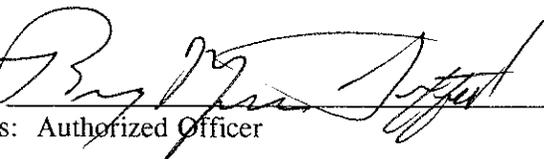
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IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

FRANKFORT PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

04.23.08
306370.00002

EXHIBIT A

Bond Legislation included in bond transcript as Documents No. 1.

SCHEDULE OF COMPENSATION

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633



STATEMENT OF REGISTRAR'S FEES
Invoice Date May 6, 2008

Frankfort Public Service District
Account Number 6089001809

Frankfort Public Service District
Water Revenue Bonds, Series 2008 A
John C. Stump
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

FEE CALCULATION FOR May, 2008

TOTAL AMOUNT	\$	500.00
TOTAL DUE	\$	<u>500.00</u>

- * FEE INVOICES ARE PAYABLE WITHIN 30 DAYS. IF PAYMENT *
- * IS NOT RECEIVED, FEES WILL BE DEDUCTED FROM THE PLAN *
- * .. MAIL CHECK TO: HUNTINGTON NATIONAL BANK, ATTN: BARRY. . *
- * .. GRIFFITH, PO BOX 633, CHARLESTON, WV 25322-0633 *

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304)348-5035





CERTIFICATE OF INSURANCE

— THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY —

DATE: (MM/DD/YY)

4/8/08

100 Erie Insurance Place • Erie, PA 16530

NAME AND ADDRESS OF AGENCY CHANNEY - BUSKIRK AGENCY, INC. RTE. 28 AND AIRPORT ROAD WILEY FORD, WV 26767-0050	AGENT'S NO. EE4007	COMPANY(IES) AFFORDING COVERAGE Co.: C ERIE INSURANCE COMPANY Co.: D ERIE INSURANCE PROPERTY & CASUALTY COMPANY Co.: E ERIE INSURANCE EXCHANGE Erie Indemnity Co., Attorney-in-Fact Co.: F ERIE INSURANCE COMPANY OF NEW YORK Co.: G FLAGSHIP CITY INSURANCE COMPANY
NAME AND MAILING ADDRESS OF INSURED FRANKFORT PUBLIC SVC DISTRICT P O BOX 80 WILEY FORD, WV 26767-0080		This Certificate is issued for information purposes only. It does not list, amend, extend, or otherwise alter the terms and conditions of insurance coverage contained in the Policy(ies) indicated below issued by ERIE. The terms and conditions of the Policy(ies) govern the insurance coverage as applied to any given situation. Any party can request a policy and/or Declaration by asking the Insured or the Agent. Limits shown may have been reduced by claims paid.

This is to certify that policies, as indicated by the Policy Number below, are in force for the Named Insured at the time that the Certificate is being issued.

CO. / TYPE	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
D	<input checked="" type="checkbox"/> GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PROJECT <input type="checkbox"/> LOC	Q34 6900002	10/19/07	10/19/08	EACH OCCURRENCE \$ 1,000,000 FIRE DAMAGE (Any One Fire) \$ 1,000,000 MED EXP (Any One Person) \$ INCL PERSONAL & ADV. INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 1,000,000 PRODUCTS-COMP/DP/AGG \$ 1,000,000
	<input type="checkbox"/> AUTOMOBILE LIABILITY <input type="checkbox"/> "ANY AUTO" (OWNED, HIRED, NON-OWNED) <input type="checkbox"/> OWNED <input type="checkbox"/> HIRED <input type="checkbox"/> NON-OWNED <input type="checkbox"/> GARAGE				BODILY INJURY (EACH PERSON) \$ BODILY INJURY (EACH ACCIDENT) \$ PROPERTY DAMAGE \$ BODILY INJURY AND PROPERTY DAMAGE COMBINED \$
	<input type="checkbox"/> EXCESS LIABILITY <input type="checkbox"/> OCCURRENCE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$
	<input type="checkbox"/> WORKERS COMPENSATION & EMPLOYERS LIABILITY				STATUTORY BODILY INJURY BY ACCIDENT \$ EACH ACCIDENT DISEASE \$ POLICY LIMIT DISEASE \$ EACH EMPLOYEE
D	<input type="checkbox"/> OTHER ULTRAFLEX	Q42 7850023	6/28/07	6/28/08	1000000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS

LOSS PAYEE:

CANCELLATION FOR NON-PAYMENT, CAUSE OR NAMED INSURED'S REQUEST: When an automobile policy is cancelled, written notice will be mailed to the Certificate Holder. When any of the above described policies (other than automobile) are cancelled before the expiration date thereof, ERIE will endeavor to mail written notice to the Certificate Holder after the decision to cancel. Failure to mail such notice shall impose no obligation or liability of any kind upon ERIE, its Agents or representatives.

CANCELLATION FOR SPECIAL CONTRACTS: (If the box is checked, this Certificate involves a special contract and the following cancellation provisions apply.) When an automobile policy is cancelled, written notice will be mailed to the Certificate Holder. When any of the above described policies (other than automobile) are cancelled before the expiration date thereof, ERIE will endeavor to mail _____ days written notice to the Certificate Holder after the decision to cancel. Failure to mail such notice shall impose no obligation or liability of any kind upon ERIE, its Agents or representatives.

CERTIFICATE HOLDER WV WATER DEVELOPMENT AUTHORITY 180 ASSOCIATION DRIVE CHARLESTON, WV 25311	ATTENTION CERTIFICATE HOLDER If your firm is a Certificate Holder for other policies of this Insured, Certificates of Insurance for these other policies will be forwarded to you as soon as they are processed. AUTHORIZED REPRESENTATIVE
---	---

1993

2.3

FRANKFORT PUBLIC SERVICE DISTRICT

WATER REVENUE BOND

BOND RESOLUTION

FRANKFORT PUBLIC SERVICE DISTRICT

WATER REVENUE BOND

BOND RESOLUTION

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Exhibit A - Project A Description

FRANKFORT PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS FACILITY OF THE FRANKFORT PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND AND THE SALE THEREOF TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BOND; PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE FRANKFORT PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended and in effect on the date of adoption of this Resolution.

"Additional Bond" means additional bonds issued under the provisions and within the limitations prescribed by Section 6.06.

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

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

"Bond" or "Bonds" means the \$2,000,000 in aggregate principal amount of Water Revenue Bond and any Additional Bond hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

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

"Closing Date" means the date upon which there is an exchange of the Bond for all or a significant portion of the proceeds representing the purchase of the Bond by FmHA.

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

"Consulting Engineers" means Woolpert Consultants, Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of waterworks systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Construction Trust Fund" means the Construction Trust Fund established by Section 5.02.

"Costs" or "Costs of the Project" means those costs described in Section 1.03H hereof to be a part of the cost of construction and acquisition of the Project.

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

"Depository Bank" means a bank or national banking association located in the State, eligible under the laws of the State to receive deposits of state and municipal funds and insured by the FDIC, which Depository Bank shall be named in the Supplemental Resolution.

"Depreciation Account" means the Depreciation Account established by Section 4.01(A) (5).

"Event of Default" means any event or occurrence specified in Section 7.01.

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

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

"FmHA" or "Government" means the United States Department of Agriculture, Farmers Home Administration, which is expected to be the original purchaser of the Bond.

"Governing Body" or "Board" means the public service board of the Issuer, as it now or hereafter may be constituted.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Grants" means the SCB Grant and any Other Grant received by the Issuer to pay a portion of the Costs of the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments purchased pursuant to Section 8.01) or any Tap Fees.

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to

prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

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

"Letter of Conditions" means the letter of conditions of FmHA dated February 4, 1993, as supplemented September 29, 1993, and any supplements or amendments thereto.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, fiscal agents, depository banks, registrars, paying agents and trustees other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, of any, or interest on the Bond, charges for depreciation, losses from the sale or other disposition of, or from and decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Other Grants" means any grant, other than the SCB Grant, received by the Issuer to pay a portion of the Costs of the Project.

"Outstanding," when used with reference to the Bond and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Section 9.06 hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bond registered to the Issuer.

"Paying Agent" means the bank or banks or other entity designated as such for the Bond in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bond" means, the Issuer's Water Revenue Bond, Series 1976, issued in the original principal amount of \$223,000 and purchased by the Farmers Home Administration on July 16, 1976.

"Prior Resolution" means the resolution adopted by the Public Service Board of the District on July 16, 1976, authorizing the issuance of the Prior Bond.

"Project" means the Project described in Exhibit A attached hereto.

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

"PSC Order" means the recommended decision of the PSC in Case No. 92-0862-PWD-CN which was entered by the Administrative Law Judge of the PSC on September 3, 1993, became a final order on September 23, 1993, and was amended by final order on December 1, 1993, granting the Issuer a Certificate of Convenience and Necessity to construct the Project, approving the financing thereof and approving rates adequate for the costs thereof.

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bond, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

(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 any said repurchase agreement either must mature as nearly as practicable coincident with the maturity of said repurchase agreement or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreement, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

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

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

(j) Advanced - Refunded Municipal Bond.

"Reserve Requirement" means an amount equal to the maximum amount of principal and interest which will mature and become due on the Bond in any succeeding Fiscal Year.

"Resolution" means this resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established by Section 4.01(A).

"SCB Grant" means the Small Cities Block Grant awarded to the Issuer, in the amount of \$750,000.

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

"Series 1993 Bond Reserve Account" means the Series 1993 Bond Reserve Account established by Section 4.01(A)(4).

"Sinking Fund" means the Sinking Fund established by Section 4.01(A)(2).

"State" means the State of West Virginia.

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

"System" means the public service properties to be used for or in connection with the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for industrial, public, private or other uses, owned by the Issuer, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

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

Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the

term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer now owns and operates a public waterworks system, furnishing water service to residences, premises and businesses residing or located within and without the area of the Issuer, the acquisition and construction of certain extensions, additions, betterments and improvements thereto being permanently financed, in part, by the issuance of the Bond to FmHA.

B. The acquisition and construction of the System was financed in part with the proceeds from the Prior Bond, authorized pursuant to the Prior Resolution.

C. The Issuer derives revenues from the System, and, except for the pledge thereof to secure and pay the Prior Bond, said revenues are not pledged or encumbered in any manner.

D. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the District that there be constructed certain extensions, additions, betterments and improvements to the System in accordance with the plans and specifications prepared by the Consulting Engineers, which Project is described in Exhibit A.

E. The estimated maximum cost of the construction of the Project is \$2,750,000. The Project will be financed with the proceeds of the sale of the Bond anticipated to be in the amount of \$2,000,000 and from the SCB Grant in the approximate amount of \$750,000.

F. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Prior Bond, the principal of and interest on the Bond authorized to be issued pursuant to this Resolution and all sinking fund, reserve and other payments provided for in the Prior Resolution and in this Resolution.

G. Prior to the issuance of the Bond, the Issuer will obtain the written consent of the Government to the issuance of the Bond on a parity with the Prior Bond. Upon the issuance of the Bond, the Issuer will grant the Government a first lien on the Net Revenues of the System, which lien will be on a parity with the lien of the Prior Bond.

H. It is deemed necessary for the Issuer to issue its Bond, in part to permanently finance the Costs of acquisition and construction of the Project. Said Costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the Water Tap Fee; the cost of interim financing for such Project; interest on the Bond, prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bond, and such other expenses as may be necessary or desirable to said acquisition and construction of the Project and placing the same in operation and the financing authorized by this Resolution.

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

J. It is in the best interest of the Issuer that it enter into a Water Purchase Agreement with the Fort Ashby Public Service District (the "Water Purchase Agreement") and from the proceeds of the Project financing pay a water tap fee, if any.

K. It is in the best interests of the Issuer that its Bond be sold to the Government pursuant to the terms and provisions of the Letter of Conditions.

L. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bond, or will have so complied prior to issuance thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bond by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be

for the equal benefit, protection and security of the Registered Owners of any and all of such Bond, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond by reason of priority of issuance or otherwise, except as expressly provided therein and herein. The Bond shares a first lien parity position with respect to sources of and security for payment with the Prior Bond.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS,
BETTERMENTS AND IMPROVEMENTS TO THE SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the construction and acquisition of certain extensions, additions, betterments and improvements to the System in accordance with the plans and specifications which have been prepared by the Consulting Engineers; provided, that such plans and specifications, and the construction and acquisition of the extensions, additions, betterments and improvements to the System in accordance therewith, are subject to the specific authorization by the Board pursuant to a Supplemental Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer, to be known as the "Frankfort Public Service District Water Revenue Bond" is hereby authorized to be issued in the aggregate principal amount of \$2,000,000 for the purpose of permanently financing a portion of Costs of the Project.

Section 3.02. Description of Bond. The Bond shall be issued as a fully registered Bond with a record of advances and payments attached, shall be numbered R-1, and shall be dated the date of delivery thereof. The Bond shall bear interest from the date of delivery on the amount outstanding on the interest payment date as evidenced on the record of advances and payments, payable monthly, commencing on the first day of the month following the month of delivery of the Bond and on the first day of each month thereafter for the first 24 months after the date thereof and thereafter on the first day of each month in installments of principal and interest in the aggregate amount of \$10,140 except that the final installment shall be paid at the end of 40 years from the date of the Bond, at a rate, not exceeding five and one-fourth percent (5.25%) per annum, as shall be determined by the Supplemental Resolution and shall be sold for the par value thereof.

The Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Bond form.

The series designation shall be as set forth in the Supplemental Resolution.

Section 3.03. Execution of Bond. The Bond shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairman, and the seal of the Issuer shall be impressed thereon and attested by the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond

shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any Bond issued hereunder, shall be conclusively deemed to have agreed that such Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any Bond remains outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bond.

The Bond shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging or transferring the Bond are exercised, the Bond shall be delivered in accordance with the provisions of this Resolution. Any Bond surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of a Bond, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer.

and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obligated to make any such exchange or transfer of a Bond during the period commencing on the 15th day of the month preceding an interest payment date on the Bond or, in the case of any proposed redemption of a Bond, next preceding the date of the selection of the Bond to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bond Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. Any Bond so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bond not to be Indebtedness of the Issuer. The Bond shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System, as herein provided, and amounts, if any, in the Series 1993 Bond Reserve Account. No Holder or Holders of any Bond shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bond or the interest thereon. The Issuer has no taxing power.

Section 3.08. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond and the Prior Bond shall be secured forthwith equally and ratably and on a parity with each other, by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bond and the Prior Bond and to make the payments as hereinafter provided are hereby irrevocably pledged to the payment of the principal of and interest on the Bond and the Prior Bond as the same become due.

Section 3.09. Form of Bond. The text of the Bond shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and

authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FRANKFORT PUBLIC SERVICE DISTRICT
WATER REVENUE BOND
SERIES 1993

No. R-1

\$ _____

_____, 1993
(Date)

United States Department of Agriculture
Farmers Home Administration
Morgantown, West Virginia 26505

FOR VALUE RECEIVED, the Frankfort Public Service District, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia, in Mineral County (herein called the "Borrower"), promises to pay to the order of the United States Department of Agriculture, Farmers Home Administration (herein called the "Government"), at its National Finance Office, St. Louis, Missouri, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of _____ Dollars (\$ _____) or such lesser amount as shall then be reflected on the Record of Advances and Payments attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 5.25% per annum. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and Payments and shall cease to accrue on the amount outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments.

The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing the first day of the month following the month of delivery of this Bond and on the first day of each month thereafter for the first 24 months after the date hereof, and thereafter on the first day of each month in installments of principal and interest in the aggregate amount of \$ _____ except the final installment shall be paid at the end of forty years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof and prepayments may be made as provided below.

This consideration shall support any agreement modifying the foregoing schedule of payments.

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.

Pre-payments of scheduled installments, or any portion thereof, may be made at any time at the option of the Borrower. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect 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 shall 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 has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING FRANKFORT PUBLIC SERVICE DISTRICT WATER REVENUE BOND, SERIES 1976, DATED JULY 16, 1976 IN THE ORIGINAL PRINCIPAL AMOUNT OF \$223,000 (THE "PRIOR BOND").

This Bond is issued to permanently finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the Issuer's existing waterworks system (the "Project" and together with the existing waterworks system of the Issuer and any further extensions, additions, betterments and improvements thereto, herein called the "System"); to pay interest on the Bond during acquisition and construction and for up to six months after completion of the Project; and to pay certain issuance and related costs in connection therewith. This Bond is authorized and issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the Board of the Borrower on the ____ day of _____, 1993, and supplemented by a Supplemental Resolution duly adopted by said Board on the ____ day of _____, 1993 (collectively, the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and

such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Resolution.

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues (as defined in the Resolution) to be derived from the operation of the System which lien is on a parity as to security and source of payment with the lien of the Prior Bond, moneys in the Series 1993 Bond Reserve Account created under the Resolution (the "Series 1993 Bond Reserve Account") and unexpended proceeds of the Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on this Bond, the Prior Bond, and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted for the Prior Bond as provided in the Prior Resolution and to the Government for the Bond as provided herein and in the Resolution. This Bond does not constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provisions or limitations, nor shall said Borrower be obligated to pay the same or the interest hereon except from the Net Revenues derived from the operation of said System, the moneys in the Series 1993 Bond Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution and the Prior Resolution, the Borrower has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the proper and reasonable expenses of operation, repair and maintenance of said System, and to leave a balance each year equal to at least 110% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on the Bond and the Prior Bond and on all obligations secured by or payable from such revenues prior to or on a parity with the Bond and the Prior Bond. The Borrower has entered into certain further covenants with the owner of this Bond for the terms of which reference is made to said Resolution. Remedies provided the owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of the Registrar which shall be kept for that purpose at the office of the Registrar, by the owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar duly executed by the owner or its attorney or legal representative duly authorized in writing.

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

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 such purposes and periods of time.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts connected with the issuance hereof, as provided by law and the Resolution, shall be applied solely to the costs of acquisition and construction of the Project, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Borrower, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System of the Borrower has been pledged to and will be set aside into said special fund by the Borrower for the prompt payment of the principal of and interest on this Bond.

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, THE FRANKFORT PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its seal to be hereunto impressed and attested by its Secretary, all as of the date first written above.

FRANKFORT PUBLIC SERVICE DISTRICT

Chairman
P. O. Box 80
Wiley Ford, West Virginia 26767

[SEAL]

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Frankfort Public Service District Water Revenue Bond, Series 1993, described in the within-mentioned Resolution and has been duly registered in the name of the United States Department of Agriculture, Farmers Home Administration as of the date set forth below.

Date: _____

as Registrar

By _____
Its Authorized Officer

RECORD OF ADVANCES AND PAYMENTS

Advances

	Date	Amount	Initialed By
(1)	1-24-94	\$ 55,000	DZ
(2)	2-9-94	\$ 160,000	DZ
(3)	2-9-94	\$ 49,000	DZ
(4)	3-9-94	\$ 122,000	DZ
(5)	7-14-94	\$ 120,000	DZ
(6)	8-10-94	\$ 136,000	DZ
(7)	9-14-94	\$ 280,000	DZ
(8)	9-14-94	\$ 15,000	DZ
(9)	10-12-94	\$ 167,000	DZ
(10)	10-31-94	\$ 37,000	DZ

TOTAL: \$ see next page

UNITED STATES DEPARTMENT OF
 AGRICULTURE, FARMERS HOME
 ADMINISTRATION

By: _____

 (Title)

RECORD OF ADVANCES AND PAYMENTS

Payments

	Date	Amount	Initialed By
(1)	11/14/94	\$ 270,000	DL
(2)	12/14/94	\$ 76,000	DL
(3)	4/11/95	\$ 25,000	DL
(4)	7/11/95	\$ 63,000	DL
(5)	8/29/95	\$ 25,000	unt
(6)	9/5/95	\$ 170,000	unt
(7)	10/20/95	\$ 30,000	unt
(8)		\$	
(9)		\$	
(10)		\$	
TOTAL:		\$ 2,000,000. ⁰⁰	

UNITED STATES DEPARTMENT OF
 AGRICULTURE, FARMERS HOME
 ADMINISTRATION

By: _____

 (Title)

[Form of Assignment]

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

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

Dated: _____, _____.

In the presence of:

Section 3.10. Sale of Bond. The Bond shall be sold to FmHA pursuant to the terms and conditions of the Letter of Conditions. The provisions of the Letter of Conditions are specifically incorporated in this Resolution.

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. System Revenues and Application Thereof. So long as the Bond shall be Outstanding and unpaid, the Issuer covenants with the Bondholders as follows:

(A) The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund created in the Prior Resolution and continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in the Prior Resolution and this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month commencing on the first day of the month following the month of delivery of the Bond, make the payment required by Section 3.02(B)(2) of the Prior Resolution and shall simultaneously therewith apportion and set apart out of the Revenue Fund and remit to the office and place designated by the Bond (herein called the "Sinking Fund") the monthly payment of interest set forth in the Supplemental Resolution or such lesser amount as is required to pay the interest on the Bond as evidenced by the Record of Advances and Payments attached to the Bond as set forth in the Bond form in Section 3.09. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

(3) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month commencing on the first day of the month following the month of delivery of the Bond, and simultaneously with the payment required by Section 3.02(B)(2) of the Prior Resolution apportion and set apart from the Revenue Fund and remit to the Sinking Fund the monthly payment of principal set forth in the Supplemental Resolution or such lesser amount as is evidenced by the Record of Advances and Payments attached to the Bond as set forth in the Bond form in Section 3.09, such amount or amounts being the amount required to amortize the principal of the Bond over the life of the Bond. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

The deposits to the Sinking Fund provided in this paragraph and in (2), above, constitute actual payments of principal and interest on the Bond issued to the Government. The amounts required for principal and interest payments on the Bond issued hereunder other than to the Government shall be deposited in a sinking fund created by a Supplemental Resolution.

(4) The Issuer shall next transfer from the Revenue Fund and make the payment, if any, required by Section 3.02(B)(3) of the Prior Resolution and simultaneously therewith deposit in a Series 1993 Bond Reserve Account at the Depository Bank (herein the "Series 1993 Bond Reserve Account"), or in the case of Bond other than the Bond originally authorized hereby in a reserve account in a sinking fund created by Supplemental Resolution or otherwise as designated by a Supplemental Resolution, on the first day of each month of each year beginning with and including the month in which payments from the Revenue Fund for interest on the Bond are commenced, an amount equal to one tenth (1/10) of the amount deposited into the Sinking Fund, as set forth above. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

No further payments shall be made into the Series 1993 Bond Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement. Moneys in the Series 1993 Bond Reserve Account shall be used only for the purpose of payment of maturing principal of or interest on the Bond when moneys in the Revenue Fund or, in the case of bonds other than the Bond originally authorized hereby, the funds in a sinking fund created by Supplemental Resolution are insufficient therefor and for no other purposes.

Any withdrawals from the Series 1993 Bond Reserve Account which result in a reduction in the balance of the Series 1993 Bond Reserve Account to below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payment to the Sinking Fund and Series 1993 Bond Reserve Account, including any deficiencies for prior payments, have been made in full.

As and when Additional Bonds ranking on a parity with the Bond are issued, provision shall be made by Supplemental Resolution for additional payments sufficient to pay the interest on such Additional Bonds and to accomplish retirement thereof at or before maturity and to accumulate a balance in the Series 1993 Bond Reserve Account in an amount equal to the maximum provided and required to be paid in principal and interest in any succeeding year for account of all the Bonds.

(5) Thereafter, from the moneys remaining in said Revenue Fund, the Issuer shall make the payment required by Section 3.02(B)(4) of the Prior Resolution and shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the Project, remit to the Depository Bank for deposit in the "Depreciation Reserve," which account was established and created in Section 3.02(B)(4) of the Prior Resolution, a sum equal to \$200 (\$2,400 per year). No further payments shall be required to be made into said Depreciation Account when there shall have been deposited therein, and so long as there shall remain on deposit therein, an amount equal to one year's maximum principal and interest payments on the Bond, and the \$25,000 required to be maintained therein by Section 3.02(B)(4) of the Prior Resolution.

All funds in said Depreciation Account shall be kept apart from all other funds, and all or any part of said fund may be invested as provided by Article VIII. Withdrawals and disbursements may be made from said Depreciation Account for replacements, emergency repairs, additions, betterments or improvements to the System; deficiencies in the payment of principal and interest on the Bond, or debt service on obligations not on a parity with the Bond, the proceeds of which obligations were used to finance such additions, betterments or improvements.

(6) If all of the above required payments are then current, the Issuer may use any moneys remaining in the Revenue Fund for the following purposes: (a) for prepayment of the amount, or any part thereof, of the Prior Bond or the Bond Outstanding in accordance with the terms thereof (b) additions, betterments or improvements to the System which the Consulting Engineers certify are needed and/or (c) payments of principal and interest on subordinate water revenue bonds, or other obligations which may hereafter be issued by the Issuer on account of the System.

(B) All of the funds and accounts provided for above shall constitute trust funds and shall be used only for the purposes provided herein.

(C) The moneys in excess of the sum insured by the maximum amounts insured by the FDIC in the Revenue Fund, in the Series 1993 Bond Reserve Account and in the Depreciation Account shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or such other obligations as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

(D) If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payments dates; provided, that all deposits, including

on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Series 1993 Bond Reserve Account have not, as of such date, funded such account to the requirement therefor.

(E) All remittances made by the Issuer to the Government or to the Paying Agent shall clearly identify the fund or account into which each amount is to be deposited.

(F) The Gross Revenues of the System shall only be used for purposes of the System.

Section 4.02. Tap Fees. During the construction of the Project, Tap Fees shall be deposited in the Construction Trust Fund created in Section 5.02 hereof. Following completion of the Project, Tap Fees shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE V

APPLICATION OF BOND PROCEEDS

Section 5.01. Application of Bond Proceeds. All the moneys received from time to time from the sale of the Bond shall be deposited in the Construction Trust Fund, hereinafter created.

Section 5.02. Construction Trust Fund. There is hereby created with the Depository Bank a special fund to be known as the "Construction Trust Fund," which fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the Costs of the Project and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, for the payment of interest on the Bond during construction and for a period up to six months thereafter, for the payment of Costs of issuance of the Bond and for no other purposes whatsoever. The moneys in said fund shall be secured at all times by the Depository Bank, by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Bond hereby authorized.

Expenditures or disbursements by the Depository Bank from said Construction Trust Fund shall be made only after such expenditures or disbursements shall have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bond. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Bond as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bond or the interest thereon is Outstanding and unpaid.

Section 6.02. Bond not to be Indebtedness of the Issuer. The Bond shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or Holders of any Bond shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bond or the interest thereon. The Issuer has no taxing power.

Section 6.03. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System which lien is on a parity as to such security with the lien of Prior Bond. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bond and the Bond herein authorized and to make the payments into the Sinking Fund and the Reserve Fund for the Prior Bonds and the Sinking Fund and Series 1993 Bond Reserve Account for the Bond and to make all other payments provided for in this Resolution and the Prior Resolution are hereby irrevocably pledged, in the manner provided herein and therein, to the payment of the principal of and interest on the Bond and the Prior Bond as the same become due, and for the other purposes provided in this Resolution and the Prior Resolution.

Section 6.04. Rates. Prior to the issuance of the Bond, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file in the office of the Governing Body, copies of which will be open to inspection by all interested parties. The schedule of rates and charges shall be sufficient to pay the Operating Expenses of the System, to pay the principal of and interest on all Bonds issued hereunder, to pay the principal of and interest on the Prior Bond, to provide an adequate Series 1993 Bond

Reserve Account and an adequate Depreciation Fund and to pay all requirements set forth in the Prior Resolution. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable Operating Expenses of the System, and to fund any reserves required by the PSC Order or any supplement or amendment thereto, and (ii) to leave a balance each year equal to the maximum amount required in any succeeding fiscal year to pay the principal of and interest on the Bond and the Prior Bond and to leave a balance each fiscal year equal to at least 110% of the average annual debt service on the Bond and the Prior Bond Outstanding and all other obligations of the Issuer, secured by or payable from such revenues prior to or on a parity with the Bond and the Prior Bond.

Section 6.05. Sale of the System. So long as the Bond is Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government, and such consent will specify the disposition of any such sale or transfer. So long as the Prior Bond is Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of only in accordance with the terms of the Prior Resolution and with the written consent of the Government.

Section 6.06. Issuance of Additional Bond. No additional parity Bonds payable out of the revenues of the System shall be issued without the prior written consent of FmHA.

Section 6.07. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the PSC. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by FmHA. FmHA shall prescribe and institute the manner by which subsidiary

records of the accounting system may be installed remote from the direct supervision of FmHA and reported to such agent of the Issuer as FmHA shall direct.

The Issuer shall file with the Consulting Engineers, and FmHA, or any other original purchaser of the Bond, and shall mail in each year to any Holder or Holders of a Bond requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses and Net Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution and the status of all said funds and accounts.

(C) The amount of any Prior Bond, Bond or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of a Bond and shall submit said report to FmHA, or any other original purchaser of the Bond. Such audit report submitted to FmHA shall include a statement that the Issuer is in compliance with the terms and provisions of this Resolution and the Prior Resolution.

The Issuer shall keep and preserve all financial records for a period of ten (10) years, and such material, upon request, will be made available for public inspection.

Section 6.08. Fiscal Year; Budget. While the Bond is Outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the annual budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of such annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Board. Copies of each annual budget shall be delivered to FmHA by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the

adoption of the annual budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (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 the Issuer's failure to submit an annual budget shall be for a reason beyond the control of the Issuer. Each such budget of current expenses shall be delivered and mailed immediately as in the case of the annual budget.

Section 6.09. Services Rendered by the System. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.10. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals, or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent, to the full extent permitted or authorized by the laws of the State and the rules and regulations of the Public Service Commission. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

To the extent allowed by law and the PSC, whenever any rates, rentals or charges for the services and facilities of the System, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent and the owner, user and property shall be held liable at law until such time as all such rates and charges are fully paid.

The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, for any account not paid within sixty (60) days, discontinue and shut off the services and facilities of the System and, in the event the Issuer owns a sewer facility (the "Sewerage System"), the Sewerage System to all users of the System

delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System have been paid in full and all accrued penalties plus a reconnection charge have been paid and shall take all further actions to enforce collections to the maximum extent permitted by law. The Issuer further covenants to use its best efforts to enter into agreements with any other entities providing sewerage service to its users, providing for discontinuing and shutting off the services and facilities of the sewerage system to users of the System delinquent in payment.

Section 6.11. Insurance and Bond. The Issuer hereby covenants and agrees that, so long as the Bond remains Outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured prior to acceptance of any part of the Project from the contractor, on all above-ground insurable portions of the System, including machinery and equipment housed therein, in an amount equal to the 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 to the full insurable value thereof.

(B) Public Liability Insurance, with limits of not less than \$500,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than \$200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

(C) Vehicular Public Liability Insurance, in the event the 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 for the benefit of the Issuer, with limits of not less than \$500,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than \$200,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bond, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the

Issuer, and such payment bonds will be filed with the Clerk of The County Commissions of Mineral County prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bond will be provided as to every officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or valuable property of the System 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 required by FmHA and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available.

(G) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as FmHA holds the Bond, 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 prime contractor to carry insurance, of such types and in such amounts as FmHA may specify, as long as such amounts are not less than any amounts acquired by the Prior Resolution as long as the Prior Bond are outstanding, and with insurance carriers or bonding companies acceptable to FmHA.

Section 6.12. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality for the providing of any services which would compete with services provided by the System.

Section 6.13. Consulting Engineer. The Issuer will retain recognized, qualified independent Consulting Engineers on an annual basis to supervise generally the operation, maintenance and renewal of the System and report annually to the Issuer in writing their recommendations and comments as to the System. Such annual report of the Consulting Engineers or a summary thereof shall be made available at reasonable times to FmHA and to any Bondholder requesting the same.

Section 6.14. Contracts. Not later than simultaneously with the delivery of the Bond, the Issuer shall have entered into written contracts for the immediate acquisition or construction of the Project.

Section 6.15. Statutory Mortgage Lien. For the further protection of the Holders of Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and

binding, and shall take effect immediately upon delivery of the Bond and shall be for the equal benefit of all Holders of each respective series of Bond; provided however, that the statutory mortgage lien in favor of the Holders of the Bond issued hereunder shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bond.

Section 6.16. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 6.17. Funds and Accounts Under Prior Resolution. The Issuer hereby covenants that all payments into the respective funds and accounts created under the Prior Resolution will have been made in full as required by the Prior Resolution prior to the date of delivery of the Bond.

Section 6.18. Covenant to Amend Resolution. The Issuer retains the right to make any amendments, insertions or deletions by Supplemental Resolutions of this Resolution as the Issuer deems desirable or necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Bond and the Prior Bond. The Board of the Issuer hereby retains the specific authority to amend or supplement this Resolution to comply with the Internal Revenue Code of 1986, as amended, and any regulations promulgated pursuant thereto. In determining to amend or supplement this Resolution, the Board of the Issuer may rely on the opinion of a nationally recognized bond counsel.

The Issuer retains the right to make any amendments, insertions or deletions by Supplemental Resolution of this Resolution as the Issuer deems necessary prior to the issuance of the Bond to meet the requirements of FmHA.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Bond.

(A) If default occurs in the due and punctual payment of the principal of or interest on the Bond;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bond set forth in this Resolution, any Supplemental Resolution or the Bond and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Government, the Depository Bank, the Bond Registrar, any Paying Agent or a Registered Owner of a Bond; or

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Section 7.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bond, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bond, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Bond, or the rights of such Registered Owners.

Section 7.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default, with respect to the Bond, the Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate

legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bond and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of any Bond issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions

of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

Section 7.04. Remedies on Parity with Prior Bond. The exercise of any remedy set forth in Sections 7.02 and 7.03 above shall recognize and protect the parity rights of the owners of the Prior Bond.

ARTICLE VIII

INVESTMENTS; NON-ARBITRAGE

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

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, including but not limited to those in the Construction Trust Fund, and used for the purpose of such fund or account. The interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the Owner, including the value of accrued interest and giving effect to the amortization of discount and investments in the "consolidated fund" of the West Virginia Board of Investments shall be valued at par. The Commission or the Depository Bank, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. Such Depository Bank may make any and all investments permitted by this Section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under the section:

A. Qualified Investments acquired from the Series 1993 Bond Reserve Account shall have maturities or be subject to redemption at the option of the Holder within five (5) years from the date of acquisition.

B. Qualified Investments acquired for the Depreciation Fund shall have maturities or be subject to redemption at the option of the Holder within ten (10) years from the date of acquisition.

C. Qualified Investments may be purchased for the Series 1993 Bond Reserve Account either in the open market or from

the Construction Trust Fund. If so purchased from the Construction Trust Fund, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

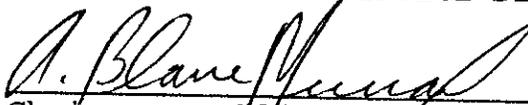
Section 9.06. Satisfaction and Discharge. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the respective pledges of Net Revenues, and other moneys and securities pledged under this Resolution, and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. Any payment must comply with the terms of the Letter of Conditions and any FmHA regulations.

Section 9.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

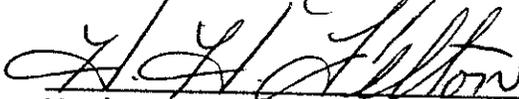
Adopted this 1st day of December, 1993.

FRANKFORT PUBLIC SERVICE DISTRICT

[SEAL]



Chairman, Public Service Board



Member, Public Service Board



Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Frankfort Public Service District on the 1st day of December, 1993.

[SEAL]

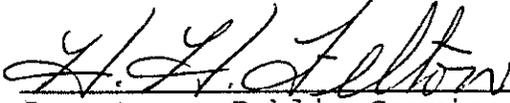

Secretary, Public Service Board

EXHIBIT A

PROJECT DESCRIPTION

The Project will include the installation of approximately 6,500 LF of 2", 2,800 LF of 4", 20,000 LF of 6" and 69,130 LF of 8" water mains, the construction of a new 350 GPM water booster pump station along Route 28/4, the installation of one (1) 200 GPM booster pump station and one (1) 200,000 gallon water storage tank and all necessary valves and appurtenances thereto, thereby expanding the existing waterworks system of the Frankfort Public Service District to serve the Rt. 28, Old Furnace Road, Patterson Creek, Scenic Lane, Death Valley Road, Rt. 9, Pownall's Addition and Forest Acres areas of the Frankfort Public Service District.

ABB035EE

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, INTEREST RATE, AND SALE PRICE OF THE FRANKFORT PUBLIC SERVICE DISTRICT WATER REVENUE BOND, SERIES 1993; DESIGNATING A REGISTRAR AND DEPOSITORY BANK; SETTING FORTH REGISTRATION INFORMATION; AND MAKING OTHER PROVISIONS AS TO THE BOND.

WHEREAS, the Public Service Board (the "Board") of the Frankfort Public Service District (the "District") has duly and officially adopted a Bond Resolution, effective December 1, 1993 (the "Resolution"), entitled:

Resolution authorizing the acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks facility of the Frankfort Public Service District and the financing of the cost, not otherwise provided, thereof, through the issuance by the District of \$2,000,000 in aggregate principal amount of water revenue bond and the sale thereof to the United States Department of Agriculture, Farmers Home Administration; providing for the rights and remedies of and security for the registered owners of such bond; providing for the terms and provisions of such bond and adopting other provisions relating thereto.

WHEREAS, the Resolution provides for the issuance of the Water Revenue Bond (the "Bond") of the Frankfort Public Service District in the aggregate principal amount of \$2,000,000 and authorized the sale thereof to the United States Department of Agriculture, Farmers Home Administration (the "Farmers Home Administration"), all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and the Resolution, and it is provided that the interest rates and sale price of the Bond should be established by a supplemental resolution and that other matters relating to the Bond be herein provided for;

WHEREAS, Farmers Home Administration proposes to purchase the Bond;

WHEREAS, the Board of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the price of and the interest rate on the Bond be

fixed hereby in the manner stated herein; and that other matters relating to the Bond be herein provided for;

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there is hereby authorized and ordered to be issued the Frankfort Public Service District Water Revenue Bond, Series 1993 in the aggregate principal amount of \$2,000,000, and the sale thereof to the United States Department of Agriculture, Farmers Home Administration ("FmHA"), is hereby approved and directed. The Bond shall be in the form of one Bond, shall be dated December 2, 1993, shall mature forty years from the date thereof, shall be numbered R-1 and the principal amount advanced under the Bond shall bear interest at the rate of 5.25% per annum. Monthly installments of interest only on the amounts advanced under the Bond are payable monthly, commencing the first day of the month following the month of delivery of the Bond, for the first 24 months after delivery of the Bond and thereafter, monthly installments of principal and interest on the Bond, in the aggregate amount of \$10,140, are payable on the first day of each month, except that the final installment on the Bond shall be made 40 years from the date of the Bond in the sum of the unpaid principal and interest remaining unpaid on the date thereof. The bond is subject to prepayment as set forth in the Resolution.

Section 2. All other provisions relating to the Bond shall be as provided in the Resolution and the Bond shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Board of the District. The execution of the Bond by the Chairman shall be conclusive evidence of such approval.

Section 3. The District hereby approves and accepts the offer of the Farmers Home Administration to purchase the Bond. The execution and delivery of the Bond by the Chairman and Secretary, and the performance of the obligations contained therein, on behalf of the District are hereby authorized, approved and directed. The price of the Bond shall be Two Million Dollars (\$2,000,000) (100% of par value). At least \$200,000 will be advanced on the date of closing and the remaining purchase price will be advanced to the District as needed to pay the Costs of the Project.

Section 4. All principal and interest payments on the Bond will be paid to the order of the United States Department of Agriculture at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103 or such other place as designed in writing by FmHA.

Section 5. The Bond shall be issued as a fully registered Bond, both as to principal and interest, and shall be

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registered to the United States Department of Agriculture, Farmers Home Administration, P. O. Box 678, Morgantown, West Virginia 26505.

Section 6. The District hereby appoints and designates F & M Bank - Keyser Inc., Keyser, West Virginia, as the Depository Bank, as provided in the Resolution.

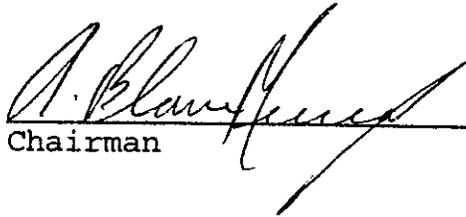
Section 7. The District hereby appoints and designates F & M Bank - Keyser Inc., Keyser, West Virginia, as Registrar for the Bond as provided in the Resolution.

Section 8. The Chairman and the Secretary are hereby authorized and directed to execute and deliver all other documents and certificates required or desirable in connection with the Resolution and the Farmers Home Administration financing.

Section 9. The financing of the Project by the Bond is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 10. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: December 1, 1993


Chairman

[SEAL]

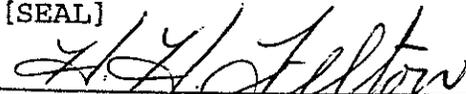

Secretary

ABB035D4

CERTIFICATE OF TRUTH AND ACCURACY

I, the undersigned, as Secretary of the Frankfort Public Service District, Mineral County, West Virginia, do hereby certify that the foregoing document is a true and accurate copy of an official record of the Frankfort Public Service District, such records being in the custody of the undersigned and maintained at the offices of the Frankfort Public Service District, Wiley Ford, Mineral County, West Virginia, and that the action taken by the Board in the foregoing document remains in full force and effect and has not been amended or repealed.

Dated this 2nd day of December, 1993.


Secretary

[SEAL]

ABB035D4

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bond, Series 1976

BOND RESOLUTION

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FRANKFORT PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$223,000 WATER REVENUE BOND, SERIES 1976, OF FRANKFORT PUBLIC SERVICE DISTRICT TO FINANCE CONSTRUCTION OF A PUBLIC WATERWORKS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND AND FOR A STATUTORY MORTGAGE LIEN UPON THE SYSTEM IN FAVOR OF THE HOLDER OF THE BOND; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF FRANKFORT 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 Article 13A, Chapter 16 of the West Virginia Code and other applicable provisions of law. Frankfort Public Service District (herein called the "District") is a public service district created pursuant to said Article 13A by the County Commission of Mineral County.

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

(A) The District does not now have a waterworks system and water supply facilities within the District are inadequate to serve the needs of the District and all or most of such facilities will be abandoned upon completion of the Project.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the District, and, accordingly, it is hereby ordered, that there be constructed a new waterworks system of the District consisting of water mains, a booster station and a 200,000 gallon water storage tank, with

all necessary appurtenant facilities (herein called 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 of the District (herein called the "Board"). Water will be purchased under contract from Fort Ashby Public Service District.

(C) It is necessary for the District to issue its revenue bond in the principal amount of \$223,000 to finance the cost of such construction in the manner hereinafter provided.

(D) The estimated maximum cost of the construction of the Project is \$485,000, of which \$223,000 will be obtained from the proceeds of sale of the Series 1976 Bond herein authorized, \$154,900 from a grant from the Government, \$60,000 from The Board of Education of the County of Mineral and \$47,100 from Appalachian Regional Commission.

(E) The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or interest therein; interest on the Series 1976 Bond prior to, during and for six months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized by this resolution.

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

(G) There are not outstanding any obligations of the District which will rank on a parity with or superior to the Series 1976 Bond as to lien and source of and security for payment.

(H) The District has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition

and operation of the Project and issuance of the Series 1976 Bond, or will have so complied prior to issuance of the Series 1976 Bond including, among other things, the consent and approval, pursuant to the Act, of the issuance of the Series 1976 Bond by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Resolution to Constitute Contract. In consideration of the acceptance of the Series 1976 Bond by the Government, this Resolution shall be deemed to be and shall constitute a contract between the District and the Government, and the covenants and agreements set forth in this Resolution to be performed by the District shall be for the benefit, protection and security of the Government as holder of the 1976 Bond.

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

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

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

"Bond Fund" means the National Finance Office named in the Series 1976 Bond.

"Series 1976 Bond" means the Bond hereby authorized to be issued.

"Chairman" means the Chairman of the Board.

"Consulting Engineer" means Cerrone & Vaughn, Inc., Wheeling, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineer for the System.

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

"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 any additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

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

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

"Herein" means in this Resolution.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of operating expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the District relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, and retention of a sum not to exceed one-sixth of the budgeted operating expenses stated above for the current year as working capital, and language herein requiring payment of operating expenses means also retention of not to exceed such sum as working capital.

"Original Purchaser" means the purchaser, directly from the District, of the Series 1976 Bond or of any part of such series.

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

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

or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Board.

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

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

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF SERIES
1976 BOND

Section 2.01. Authorization of Series 1976 Bond. Subject and pursuant to the provisions of this Resolution, the Bond of the District, to be known as "Water Revenue Bond, Series 1976", is hereby authorized to be issued in the aggregate principal amount of not exceeding Two Hundred Twenty-Three Thousand Dollars (\$223,000) for the purpose of financing the cost of the construction and acquisition of the Project.

Section 2.02. Description of Series 1976 Bond. The Series 1976 Bond shall be issued in single form, No. 1, and shall be dated on the date of delivery. The Series 1976 Bond shall bear interest from date, payable monthly at the rate of five per centum (5%) per annum, and shall be sold for the par value thereof.

The Series 1976 Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District, and shall be payable as provided in the bond form hereinafter set forth.

Section 2.03. Execution of Series 1976 Bond. The Series 1976 Bond shall be executed in the name of the District by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. The Series 1976 Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Series 1976 Bond shall hold the proper office on the Board, although at the date of such Series 1976 Bond such person may not have held such office or may not have been so authorized.

Section 2.04. Bond Mutilated, Destroyed, Stolen or Lost. In case the Series 1976 Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Series 1976 Bond of like tenor as the Series 1976 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 1976

Bond or in lieu of and substitution for the Series 1976 Bond destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof and complying with such other reasonable regulations and conditions as the District may require. The Series 1976 Bond so surrendered shall be canceled and held for the account of the District. If the Series 1976 Bond shall have matured or be about to mature, instead of issuing a substitute Series 1976 Bond the District may pay the same, and, if such Series 1976 Bond be destroyed, stolen or lost, without surrender thereof.

Section 2.05. Bond Secured by Pledge of Revenues. The payment of the debt service of the Series 1976 Bond shall be secured forthwith by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 1976 Bond, and to make the payments into the Bond Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1976 Bond as the same become due.

Section 2.06. Form of Series 1976 Bond. Subject to the provisions of this Resolution, the text of the Series 1976 Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this Resolution or any subsequent resolution adopted prior to the issuance thereof:

WATER REVENUE BOND, SERIES 1976

FRANKFORT PUBLIC SERVICE DISTRICT

\$223,000

No. 1

Date: July 16, 1976

Miss [unclear]

FOR VALUE RECEIVED, FRANKFORT PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), 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 Two Hundred Twenty-Three Thousand Dollars (\$223,000), plus interest on the unpaid principal balance at the rate of five per cent (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only on the first day of each month for the first twenty-four months after the date hereof and \$1,095, covering principal and interest, thereafter on the first day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, 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 reverse 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 Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

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 Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of 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 construction and acquisition of additions, extensions and improvements to the waterworks of the Borrower, is payable solely from the revenues to be derived from the operation of such waterworks after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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. This Bond shall be subject to the present regulations

of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

[CORPORATE SEAL]

FRANKFORT PUBLIC SERVICE DISTRICT
(Name of Borrower)

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

ATTEST:

(Post Office Box No. or Street Address)

Wiley Ford, West Virginia 26767
(City, State and Zip Code)

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

RECORD OF ADVANCES

AK 1186:506
 special 8.30-76
 8.30.76

AMOUNT	DATE	AMOUNT	DATE
(1) \$ 223,000	-7-16-76	(6) \$	
(2) \$ 40,000	-Grant 7-22-76	(7) \$	
(3) \$ 114,900	-Grant ^{Balance} Fm HA	(8) \$	
(4) \$ 47,100	-ARC Grant	(9) \$	
(5) \$		(10) \$	

TOTAL _____

Pay to the Order of _____

UNITED STATES OF AMERICA
 FARMERS HOME ADMINISTRATION

By _____

 (Title)

ARTICLE III

SERIES 1976 BOND PROCEEDS; REVENUES
AND APPLICATION THEREOF

Section 3.01. Series 1976 Bond Proceeds; Project Construction Account. All moneys received from the sale of the Series 1976 Bond shall be deposited on receipt by the District in The National Bank of Keyser, Keyser, West Virginia, a member of Federal Deposit Insurance Corporation (herein called "FDIC"), in a special account hereby created and designated as "Frankfort Public Service District Construction Account" (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the District solely for the purposes provided in this Resolution.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and deposit in the Bond Fund, not later than fifteen days prior to the next interest payment date, such sums as shall be from time to time required to pay the interest becoming due on the Series 1976 Bond on such interest payment date if moneys in the Bond Fund are insufficient for such purpose.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the District may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which shall mature not later than the date on which the funds shall be needed. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

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

any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Government.

Section 3.02. Covenants of the District as to Revenues and Funds.

So long as the Series 1976 Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, hereinafter established, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 1976 Bond remaining unpaid, together with interest accrued and to accrue thereon, the District further covenants with the Government as follows:

(A) Revenue Fund. The entire gross revenues derived from the operation of the System, and all parts thereof, and all tap fees received, shall be deposited as collected by the District in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund, known as the "Revenue Fund", is hereby established with said Bank. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this Resolution.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(2) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and pay to the National Finance Office designated in the Series 1976 Bond the amounts required to pay the interest on and the principal of the Series 1976 Bond as provided therein.

(3) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit with the said Bank in the Reserve Fund hereby established with said Bank, 1/12 of 1/10 of the maximum amount of principal and interest becoming due on the Series 1976 Bond

in any year until the aggregate amount in the Reserve Fund equals the sum of \$14,000, which sum is herein called the "Minimum Reserve". After the Minimum Reserve has been accumulated in the Reserve Fund, the District shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Series 1976 Bond and for payment of operating expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 1976 Bond to said National Finance Office as the same shall become due or for mandatory redemption of the Series 1976 Bond as hereinafter provided, and for no other purpose.

(4) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit in the Depreciation Reserve hereby established with said Bank, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$25,000 and thereafter, such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Series 1976 Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the District and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the Series 1976 Bond outstanding, or for any lawful purpose.

Whenever the moneys in the Reserve Fund shall be sufficient to prepay the entire principal outstanding of the Series 1976 Bond, together with interest accrued and to accrue thereon to the date of prepayment, it shall be the mandatory duty of the District, anything to the contrary in this Resolution notwithstanding, to direct the said Bank to prepay the Series 1976 Bond at the earliest practical date and in accordance with applicable provisions hereof.

The aforesaid Bank (and any successor appointed by the District) is hereby designated as the Fiscal Agent for the administration of the Reserve Fund as herein provided, and all amounts required therefor will be deposited by the District upon transfers of funds from the Revenue Fund at the times provided herein.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Government shall have a lien thereon for further securing payment of the Series 1976 Bond and the interest thereon, but the aforesaid Bank shall not be a trustee as to such funds. The moneys in excess of the sum insured by FDIC in any of such funds shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of State and municipal funds under the laws of the State of West Virginia.

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

The Fiscal Agent shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent practicable in direct obligations of, or obligations the payment of the principal of and interest on which are guaranteed by, the United States of America and having maturities not exceeding two years. Earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue

Fund by the Fiscal Agent. Losses on investments shall be charged to the particular fund and made up by increased payments into such fund.

(C) Change of Fiscal Agent. The District may designate another bank insured by FDIC as Fiscal Agent if the aforesaid Bank should cease for any reason to serve or if the Board determines by resolution that said Bank or its successor should no longer serve as Fiscal Agent. Upon any such change, the Board will cause notice of the change to be sent by registered or certified mail to the Government.

(D) Additional User Contracts. The District shall, prior to delivery of the Series 1976 Bond (1) obtain user agreements from not less than 96 new users, in addition to the 156 users now being served water by small water systems in the District (such 156 users shall be customers of the System), and shall collect from such 96 new users and deposit in the Project Construction Account not less than \$4,800, based on a tap fee of \$50, and (2) obtain an agreement with the said Board of Education to pay the difference in the actual cost of the System over the sum of \$74,100.

ARTICLE IV

GENERAL COVENANTS

Section 4.01. General Statement. So long as the Series 1976 Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Series 1976 Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the District and the Government.

Section 4.02. Rates. The District will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than 110% of the annual debt service on the Series 1976 Bond and to make the payments required herein into the Reserve Fund and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 4.03. Sale of the System. The System will not be sold without the prior written consent of the Government so long as the Series 1976 Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 4.04. Issuance of Additional Parity Bonds. No additional parity Bonds payable out of the revenues of the System shall be issued after the issuance of the Series 1976 Bond pursuant to this Resolution except with the prior written consent of the Government.

Section 4.05. Insurance and Bonds. The District hereby covenants and agrees that, so long as the Series 1976 Bond remains outstanding, it will, as an expense of operation and maintenance of the

System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, on all above-ground structures of the System in an amount equal to the actual cost thereof. In the event of any damage to or destruction of any portion of the System, the District will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The District will itself, or will require that each contractor dealing directly with the District ("prime contractor"), obtain and maintain builder's risk insurance to protect the interests of the District during construction of the Project in the full insurable value thereof.

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

(c) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District, with limits of not less than \$100,000 for one person and \$300,000 for more than one person injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(d) Workmen's Compensation Coverage for all Employees of the

District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(e) Fidelity Bonds will be provided as to every member of the Board and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the District in an amount at least equal to the total funds in the custody of any such person at any one time, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned.

(f) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 1976 Bond is outstanding, the District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District, and during such construction will require each prime contractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 4.06. Statutory Mortgage. For the further protection of the Government, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 1976 Bond.

Section 4.07. 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 into the Bond Fund at the date specified for payment thereof;

(B) Failure duly and punctually to observe or perform any of

the covenants, conditions and agreements on the part of the District contained in the Series 1976 Bond or in this Resolution, or violation of or failure to observe any provision of any pertinent law, provided any such failure or violation, excluding that covered in (A) above in this Section, shall continue for a period of thirty days after written notice shall have been given to the District by the Government specifying such failure or violation and requiring the same to be remedied.

Section 4.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Government 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 Government, such court may, upon proof of such default, appoint a receiver for the affairs of the District and the System. The receiver so appointed shall administer the System on behalf of the District, shall exercise all the rights and powers of the District with respect to its System and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 4.09. Fiscal Year; Budget. While the Series 1976 Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each fiscal year, the District agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and

directed by the Board. Copies of each Annual Budget shall be delivered to the Government by the beginning of each fiscal year.

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

Section 4.10. Compensation of Board Members. The District hereby covenants and agrees that no compensation for policy direction shall be paid to the members of its Board in excess of the amount permitted by the Act. Payment of any compensation to any member of the Board for policy direction shall not be made if such payment would cause the Net 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 of this resolution.

Section 4.11. Covenant to Proceed and Complete. The District hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary of the Board on the date of adoption of this resolution, subject to permitted changes.

Section 4.12. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and the

Government shall have the right at all reasonable times to inspect the System and all records, accounts and data of the District relating thereto.

The District shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Government.

Section 4.13. Maintenance of System. The District covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 1976 Bond is outstanding.

Section 4.14. No Competition. The District 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 District or within the territory served by the System.

Section 4.15. Concerning Arbitrage. The proceeds of sale of the Series 1976 Bond will not be invested in such a way as to violate the operating rules in the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(d) of the Internal Revenue Code of 1954, as amended.

ARTICLE V

RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules.

A. The schedule of rates and charges for the services and facilities of the System shall be as follows, subject to change consonant with the provisions of this Resolution:

AVAILABILITY OF SERVICE

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

RATES FOR WATER USED PER MONTH

First	3,000 gallons	\$ 3.00 per 1,000 gallons
Next	3,000 gallons	2.25 per 1,000 gallons
Next	4,000 gallons	2.00 per 1,000 gallons
Next	20,000 gallons	1.50 per 1,000 gallons
Next	70,000 gallons	1.25 per 1,000 gallons
All over	100,000 gallons	1.00 per 1,000 gallons

MINIMUM CHARGE

No monthly bill shall be rendered for less than the following amounts, based on size of meter:

<u>Meter Size</u>	<u>Amount</u>
5/8" Meter	\$ 9.00
3/4" Meter	12.96
1" Meter	23.04
1 1/2" Meter	51.84
2" Meter	92.16
3" Meter	207.36
4" Meter	368.64
6" Meter	829.44

TAP FEES

Tap fees will be \$50 for each new tap prior to award of the construction contract for the Project, and thereafter the tap fee shall be the actual cost of installation, including materials and labor.

DELAYED PAYMENT PENALTY

The above rates are net. On all accounts not paid in full within 30 days after date of billing, a penalty of ten per cent will be added to the net amount of the bill.

If any bill is not paid within 60 days of the date thereof, the bill will be considered delinquent and subject to disconnection. However, water service shall not be disconnected to any customer for nonpayment of the bill without first having diligently tried to induce the customer to

pay the same and until after at least twenty-four (24) hours' written notice to the customer. Service shall not be restored until all amounts in arrears, including accrued penalties, plus a reconnection fee of \$15.00 have been paid.

MULTIPLE OCCUPANCY

On apartment buildings, or other multiple occupancy buildings, each family or business unit shall be required to pay not less than the minimum monthly charge herein established for a five-eighths inch meter. Motels and hotels shall pay according to the size of meter installed.

TRAILER COURTS

House trailer courts shall be provided with a master meter. No bill shall be rendered for less than 8 dollars and 10 cents (\$8.10) multiplied by the number of units situated on the court site at the time the meter is read or the actual charge for the size meter installed, whichever is greater. House trailer (as used hereinabove) shall include both mobile and immobile units.

House trailers, either mobile or immobile, located on sites other than a park or court, shall be billed in the same manner as any other family or business unit.

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

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. When such fees, rates and charges have been delinquent for thirty days, the District shall have power forthwith to foreclose the lien on the premises served in the same manner provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

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

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

ARTICLE VI

MISCELLANEOUS

Section 6.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Series 1976 Bond, the District shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such a Financing Statement in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Commission of said County.

Section 6.02. Delivery of Bond No. 1. The Chairman, Secretary and Treasurer of the Board are hereby authorized and directed to cause Bond No. 1, hereby awarded to the Government pursuant to agreement, to be delivered to the Government as soon as the Government will accept such delivery.

Section 6.03. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this Resolution or the Series 1976 Bond.

Section 6.04. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflicts, hereby repealed.

Section 6.05. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 6.06. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted July 16, 1976.

Albert S. Browning
Chairman of Public Service Board

Willard E. Probst
Member

Lloyd O. Bilofora
Member



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

May 6, 2008

Frankfort Public Service District
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

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 (i) consents to the issuance of the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), in the original aggregate principal amount of \$400,000, (the "Bonds"), by Frankfort 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 (a) Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$233,000 (the "Series 1976 Bonds"); and (b) Water Revenue Bonds, Series 1993 (United States Department of Agriculture), dated December 2, 1993, issued in the original aggregate principal amount of \$2,000,000 (the "Series 1993 Bonds") (collectively, the "Prior Bonds"); and (ii) 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 (iii) consents to any amendments made to the Prior Resolutions by the Resolution.

WITNESSETH my signature on this 6th day of May, 2008.



State Director

75 High Street Federal Building • Suite 320 • Morgantown, WV 26505-7500
Phone: 304.284.4860 • 1.800.295.8228 • Fax: 304.284.4893 • TTY/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).

MEMORANDUM

To: Financing Team
From: John C. Stump, Esquire
Date: May 6, 2008
Re: Frankfort Public Service District
Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund)

DISBURSEMENTS TO DISTRICT:

Payor:	West Virginia Infrastructure and Jobs Development Council
Amount:	\$ 400,000
Form:	Wire Transfer
Bank:	First Peoples Community Federal Credit Union
ABA No.:	252177121
Acct. No.:	1020001348780
Contact:	Liz Lark, 301.783.3041
Account:	Series 2008 A Bonds

04.23.08
306370.00002

CH4839386.2

**RESOLUTION OF THE FRANKFORT PUBLIC SERVICE DISTRICT APPROVING
INVOICES RELATING TO SERVICES FOR THE PROPOSED WILEY FORD PROJECT AND
AUTHORIZING PAYMENT THEREOF,**

WHEREAS, the Frankfort Public Service District, has reviewed the Asset Purchase Agreement, as approved in PSC Case No. 06-1320-PWD-W-PC, attached hereto and incorporated herein by reference relation to the Project funded in part by the West Virginia Infrastructure Fund (IJDC) at Closing and find as follows:

- a) That none of the items for which payment is proposed to be made has formed the basis for any disbursement theretofore made.
- b) That each item for which the payment is proposed to be paid is or was necessary in connection with the Project and constitutes a Cost of the Project.
- c) That each of such cost has been otherwise properly incurred.
- d) That the payment for each of the items proposed is due and owing.

NOW, THEREFOR, BE IT RESOLVED Frankfort Public Service District by as follows:
There is hereby authorized and directed the payment of the attached as follows:

Vendor	Total	IJDC
Wiley Ford Water	400,000	400,000
TOTAL	400,000	400,000

ADOPTED BY the Frankfort Public Service District, at the meeting held on the 28th day of April, 2008.

Frankfort Public Service District

By: 

Its: Chairman

**EXPENDITURE SCHEDULE
FRANKFORT PSD
(Wiley Ford Acquisition)**

Date: 04.23.08

Drawdown #1

IJDC	Per Schedule B	Adjustments	Revised budget	Paid prior to this draw	Requested this draw	Requested to Date	Remaining
1 Construction	0.00		0.00	0.00	0.00	0.00	0.00
2 Technical Services	0.00		0.00	0.00	0.00	0.00	0.00
3 Legal & Fiscal	0.00		0.00	0.00	0.00	0.00	0.00
4 Administrative / Misc	0.00		0.00	0.00	0.00	0.00	0.00
5 Sites and Lands	0.00		0.00	0.00	0.00	0.00	0.00
6 Acquisition of Wiley Ford	400,000.00		400,000.00	0.00	400,000.00	400,000.00	0.00
7 Reserve	0.00		0.00	0.00	0.00	0.00	0.00
8 Registrar	0.00		0.00	0.00	0.00	0.00	0.00
9 Bond Counsel	0.00		0.00	0.00	0.00	0.00	0.00
TOTALS	400,000.00	0.00	400,000.00	0.00	400,000.00	400,000.00	0.00

State of West Virginia
WATER DEVELOPMENT AUTHORITY
 180 Association Drive, Charleston, WV 25311-1217
 (304) 558-3612 - (304) 558-0299 (Fax)
 Internet: www.wvwda.org - Email: contact@wvwda.org

BOND CLOSING ATTENDANCE LIST

Date May 6, 2008 Time 10:00 a.m. LGA Frankfort Public Service District Program IF

NAME	COMPANY, AGENCY, OR ORGANIZATION	TELEPHONE	FAX	E-MAIL
<u>Samme Lee</u>	<u>Jackson Kelly LLC</u>	<u>340.1310</u>	<u>340.1272</u>	<u>syee@jacksonkelly.com</u>
<u>Ryan White</u>	<u>Jackson Kelly</u>	<u>340-1283</u>	<u>340-1272</u>	<u>swhite@jacksonkelly.com</u>
<u>Barbara B. Madonia</u>	<u>WDA</u>	<u>558.3612</u>	<u>558.0299</u>	<u>bmadonia@wvwda.org</u>
<u>Katey Mallory</u>	<u>Stephoe & Johnson</u>	<u>353-8181</u>	<u>353-8181</u>	<u>Katey.mallory@stephoe-johnson.com</u>
<u>John Stump</u>	<u>Stephoe & Johnson</u>	<u>353.8196</u>	<u>353.8181</u>	<u>john.stump@stephoe-johnson.com</u>

The Authority requests that the following information concerning the individual who will be responsible for sending Debt Service Payments to the Municipal Bond Commission be provided. (If that individual is in attendance, he/she should also sign above.) Please Print:

Name Blane Murray Telephone 304-738-9552 E-Mail na

Address P.O. Box 80, Wilby Ford, WV 260767

REMINDER: As a participant in this program, the Local Governmental Agency (LGA) agrees and is required to submit annually to the WDA a copy of its audited financial statements and a copy of its adopted budget. Also, pursuant to the Loan Agreement and the NonArbitrage Certificate (both of which are contained in the bond transcript) you are to provide annually to the WDA a rebate calculation certificate or an exception opinion showing whether a rebate amount is due to the US Government under arbitrage requirements in Section 148(f) of the US Internal Revenue Code, 1986, as amended.

SWEEP RESOLUTION

WHEREAS, Frankfort Public Service District (the "Issuer") is a governmental body and political subdivision of West Virginia;

WHEREAS, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

WHEREAS, the Issuer makes or will make monthly debt service payments on and transfers reserve funds for the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

WHEREAS, the MBC may accept such monthly payments by electronic funds transfer, thereby eliminating delay in payments and lost checks;

WHEREAS, the Issuer finds and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic funds transfer with the State Treasurer sweeping the Issuer's account.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

- 1) The monthly debt service payments on the Bonds, as set forth in Exhibit A, shall be made to the MBC by an electronic transfer by the State Treasurer from the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.
- 2) The Chairman, Secretary and Treasurer are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.
- 3) This resolution shall be effective immediately upon adoption.

Adopted this 28th day of April, 2008.



Chairman

EXHIBIT A

List each bond issue and the Bank account number from which the electronic transfer will be made.

<u>Bond Issue</u>	<u>Bank Account Information -- Last 4 Digits</u>	<u>Monthly Amount</u>
<u>Water Revenue Bonds, Series 2008 A</u>	<u>7121</u>	<u>TBD</u>
<u> </u>	<u> </u>	<u> </u>
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Required:

Email for main contact: mbland@mineralcountywv.com

MAX H. WHITE, PLLC

Lawyer



Post Office Box 148
Keyser, West Virginia 26726

office (304) 788-5768
facsimile (304) 788-5660

May 6, 2008

Frankfort Public Service District
Wiley Ford, West Virginia

Wiley Ford Water Company
Wiley Ford, West Virginia

Step toe & Johnson, PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Wiley Ford Water Company, a corporation and certificated water utility, in Mineral County, West Virginia (the "Company"). As such counsel, I have examined copies of the documents, papers, agreements, instruments and certificates (the "Acquisition Documents") relating to the sale of the water distribution and transmission assets of the Company (the "Assets") to Frankfort Public Service District (the "Issuer"), specifically including, but not limited to, the Asset Purchase Agreement dated May 6, 2008 by and between the Company and Issuer (the "Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as set forth in the Agreement when used herein.

I am of the opinion that:

1. The Company is a corporation validly existing and in good standing under the laws of the State of West Virginia.

2. The execution, delivery, and performance of the Agreement, the other Acquisition Documents to which the Company in connection herewith and therewith have been authorized by all necessary corporate and other actions of the Company and have been duly executed and delivered by the Company and constitute legal, valid, and binding obligations of such parties enforceable in accordance with their terms to the extent the Issuer should be able to realize the practical benefits thereof.

3. The consummation of the transactions contemplated by the Asset Purchase Agreement, the other Acquisition Documents to which the Company is a party, and all other instruments or documents required to be executed by the Company in connection herewith and therewith will not violate or result in a breach of or constitute a default under the Articles of Incorporation, By-Laws, or other organizational agreements of the Company.

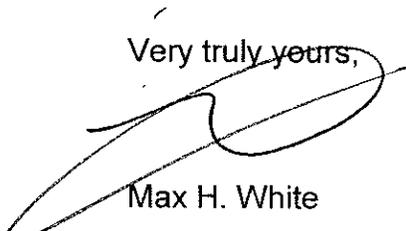
4. That the Company has good and marketable title to the Assets.

5. Except for such actions and proceedings as are disclosed to the Issuer in writing, Company's counsel does not know of any limitation, governmental investigation, actions, or suits, pending or threatened, against or relating to the transactions contemplated by the asset Purchase Agreement or any other Acquisition Document to which the Company is a party.

6. Taxes are paid and current on the Assets.

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

Very truly yours,



Max H. White

MHW/ks

PRESIDENT'S AFFIDAVIT

TO: FRANKFORT PUBLIC SERVICE DISTRICT
RE: WILEY FORD WATER COMPANY

STATE OF WEST VIRGINIA,
COUNTY OF MINERAL, to-wit:

On this 19 day of February, 2008, personally appeared before me the undersigned President of Wiley Ford Water Company, who, having been first duly sworn, deposed and said that, with respect to the real estate hereinabove identified and described, hereinafter referred to as the "subject property":

1. The undersigned President on behalf of Wiley Ford Water Company, has been the owner of the subject property for at least ninety (90) days prior to the date hereof or the date of settlement, whichever date shall last occur.
2. There has been no work done, services rendered, or materials furnished in connection with repairs, improvements, development, construction, removal, alterations, demolition, or such similar activity on or incident to the subject property within one hundred eighty-two (182) days prior to the date of this Affidavit; furthermore, there are no outstanding or unasserted claims, or persons entitled to any claim or right to a claim, for mechanics' or materialmen's liens against the subject property.
3. There are no outstanding leases or agreements as to occupancy, written or oral, recorded or unrecorded, affecting the subject property, other than None; there are no parties, other than the undersigned owner(s), in or entitled to possession of the subject property, and the purchasers of the property (if applicable) are entitled to sole and exclusive possession of the subject property upon settlement.
4. Neither the subject property nor its subsurface was used for the storage, treatment or disposal of hazardous wastes as defined in the West Virginia Hazardous Waste Management Act, W. Va. Code Section 20-5E-20 and Legislative Rule 47 C.S.R. 35.3.1.3 and no material amounts of hazardous substances, as currently defined under the provisions of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1986, 42 U.S.C. Section 9601 et seq., as amended, were located on the subject property or its subsurface in a manner contrary to any federal, state or local law or promulgating regulation thereunder, at any time (A) during which the undersigned owner(s) has owned the subject property; and (B) prior to the

undersigned owner(s) having acquired title to the subject property, to the actual knowledge of the undersigned owner(s).

5. There are no outstanding judgment liens, trust deeds, lis pendens or other claims threatened or pending against the undersigned or the subject property.
6. The undersigned knows of no boundary line disputes, encroachments onto the subject property or other survey related claims.
7. In the event that the subject property does not adjoin a public road, the undersigned states that there exists a legally enforceable right of way to and from the subject property providing fee and unobstructed access and egress.
8. The undersigned is not currently a debtor in a pending bankruptcy action in the United States Bankruptcy Court.
9. The undersigned owner(s) has no actual knowledge or reason to believe that the subject property or its substrata contains an underground storage tank which is regulated by the provisions of the West Virginia Underground Storage Tank Act, W.Va. Code Section 20-SH-19.

This Affidavit is made for the purpose of inducing the sale of the Wiley Ford Water Company to Frankfort Public Service District.

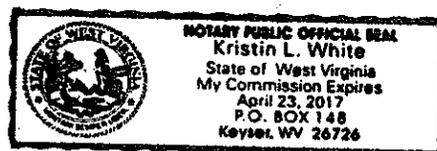
Dated this the 6 day of May, 2008.

J. Terry Malone
J. TERRY MALONE, President
WILEY FORD WATER COMPANY

The foregoing instrument was acknowledged before me this the 6 day of May, 2008, by J. TERRY MALONE, the President of WILEY FORD WATER COMPANY.

My Commission Expires:

Kristin L. White
Notary Public



ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made and entered into this 6th day of May, 2008, by and between **FRANKFORT PUBLIC SERVICE DISTRICT** (the "Purchaser"), a public service district and political subdivision of the State of West Virginia and **WILEY FORD WATER CO.** (the "Seller"), a West Virginia company.

WITNESSETH:

WHEREAS, Purchaser is a public corporation established under the provisions of West Virginia Code §16-13A-1, et seq., is a certificated utility engaged in providing water and sewer services to residences and businesses in certain locations in Mineral County, West Virginia (the "County"), pursuant to authority granted by the Public Service Commission of the State of West Virginia ("PSC").

WHEREAS, Seller is a corporation, created and authorized to transact business in accordance with the laws of the State of West Virginia, and has authority from the PSC to provide water service in certain locations in the County and owns a water transmission and distribution system in the County (collectively the "Assets").

WHEREAS, Purchaser has determined that it may provide more efficient water service to the customers of the Seller, wishes the purchase the Assets, provide potable water services to the current customers of the Seller and assume responsibility for maintenance, operation, billing, collection and all related activities pertaining to the operation of the Assets, and has authorized its Chairman to execute this Agreement and to perform any and all acts necessary and authorized in a resolution dated April 28, 2008.

WHEREAS, Seller desires to sell the Assets to Purchaser, subject to the terms and conditions of this Agreement, and Seller has taken all actions necessary to approve the sale of the Assets.

NOW THEREFORE, for and in consideration of the premises and the mutual covenants as contained herein, the parties agree as follows:

1. Assets to be Transferred.

Purchaser agrees to purchase from Seller and Seller agrees to grant, convey, transfer, sell, assign and deliver to Purchaser, for the consideration and upon the terms and conditions hereinafter set forth, all of the Assets as more specifically listed on Exhibit A hereto and made a part hereof, free and clear of all liens and encumbrances except for the liens and encumbrances specifically assumed by Purchaser under this Agreement.

2. Liabilities and Obligations Retained by Seller.

Notwithstanding anything to the contrary in this Agreement, the Purchaser shall not assume any liabilities or obligations of the Seller and nothing herein shall be construed as imposing any liability or obligation upon the Purchaser other than those specifically provided for

herein. Seller expressly acknowledges that Purchaser will not be liable for any obligations or liabilities of Seller of any kind or nature whether actual or contingent, matured or unmatured, liquidated or unliquidated, known or unknown, related to the Assets, and to circumstances or events existing prior to, on or after the Closing Date (hereafter defined, see "Closing").

Seller shall satisfy all existing obligations related to the Assets, and Purchaser will not assume any such obligations upon transfer of the Assets. Except as otherwise specifically provided herein, Seller shall be fully responsible for the payment and discharge before the Closing Date of, and shall promptly pay when due, all taxes, expenses, costs, causes of action, claims, debts, obligations and other liabilities related to its design, permitting, construction and ownership of the Assets incurred prior to or on the Closing Date.

3. Purchase Price.

The aggregate consideration for the Assets shall be Four Hundred Thousand Dollars and 00/100 (\$400,000.00) (the "Purchase Price") payable to Seller by the Purchaser. The Purchaser shall deliver to the Seller the Purchase Price at Closing (hereafter defined, see "Closing").

4. Operation of System.

From and after the Closing Date (hereafter defined, see "Closing"), Purchaser shall use its best efforts to insure that all of the residents of the territory currently served by the Seller will be provided with potable water by Purchaser or any of its successors or assigns. From and after the Closing Date, Purchaser shall own and operate the Assets as a part of Purchaser's potable water system, and all customers currently receiving service from the Assets (the "Customers") shall be customers of Purchaser.

5. Seller Representations and Warranties.

Seller represents and warrants to Purchaser that the statements contained in this Section 5 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 5).

- (a) *Organization of Seller.* Seller is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization and is in good standing in every jurisdiction in which the conduct of its business requires it to be so qualified.
- (b) *Authorization of Transaction.* The Seller has full corporate power and authority to enter into this Agreement, all exhibits and schedules hereto, and all agreements contemplated herein (this Agreement and all such exhibits, schedules, and other agreements being collectively referred to herein as the "Acquisition Documents"), to perform its obligations hereunder and thereunder, to transfer the Assets, and to carry out the transactions contemplated hereby and thereby. The Shareholders and Board of Directors

of the Seller have taken all actions required by law, its Articles of Incorporation, its By-Laws or otherwise to authorize (i) the execution and delivery of this Agreement and the other Acquisition Documents, and (ii) the performance of its obligations hereunder and thereunder. This Agreement has been duly executed and delivered by the Seller and upon the execution and delivery of the remaining Acquisition Documents by a duly authorized officer of the Seller, the remaining Acquisition Documents will have been duly executed and delivered by the Seller, and this Agreement is and such other Acquisition Documents will be, upon due execution and delivery thereof, the legal, valid, and binding obligations of the Seller enforceable according to their terms, except (a) as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium general principle, or similar laws now or hereafter in effect relating to creditors' rights, and (b) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

- (c) *Noncontravention.* None of (i) the execution and delivery of this Agreement or any of the other Acquisition Documents by the Seller, (ii) the performance by the Seller of its obligations hereunder or thereunder, (iii) the consummation of the transactions contemplated hereby or thereby after the Closing, will (A) violate any provision of the Articles of Incorporation or By-Laws of the Seller; (B) violate, or be in conflict with, or constitute a default under or breach of, or permit the termination of, or cause the acceleration of the maturity of, any indenture, mortgage, contract, commitment, debtor or obligation of the Seller, which violation, conflict, default, breach, termination, or acceleration, either individually or in the aggregate with all other such violations, conflicts, defaults, breaches, terminations, and accelerations, would have a material adverse effect on the operations, business, or financial condition of the Seller or the Assets; (C) violate any statute, law, judgment, decree, order, regulation, or rule of any court or governmental authority to which the Seller or the Assets is subject; or (D) result in the loss of any material license, privilege, or certificate benefiting the Seller.
- (d) *Brokers' Fees.* Seller does not have any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Purchaser could become liable or obligated.
- (e) *Title to Tangible Assets.* Seller has good and marketable title to the Assets free and clear of all liens, security interests and encumbrances.
- (f) *Legal Compliance.* Seller has complied with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local, and foreign governments (and all agencies thereof), except where the failure to comply

would not have a material adverse effect upon the financial condition of Seller. The Seller is not in violation of, has not been charged with any violation of, or, to the best of its knowledge, is not under any investigation with respect to any charge concerning any violation of any requirements of law, in which such violation either singly or in the aggregate with other violations would have a material adverse effect upon the Assets, of the Seller. The Seller is not in default with respect to any order, writ, injunction, or decree of any court, agency, or instrumentality.

- (g) *Financial Statements.* The Purchaser has relied upon the Seller's financial statements, including balance sheets, statements of operations and retained earnings, and statements of changes in financial position, in evaluating the merits of this transaction.
- (h) *Absence of Certain Changes.* The Seller has not (i) suffered any damage, destruction, or loss, whether covered by insurance or not, materially adversely affecting the Assets; (ii) permitted or allowed any of the Assets to be subjected to any mortgage, pledge, security interest, conditional sale, or other title retention agreement, encumbrance, lien, easement, claim, warrant, option, or charge of any kind (individually and collectively hereinafter referred to as a "Lien"); (iii) waived or permitted to lapse, any material claims or rights, or sold, transferred, or otherwise disposed of any of the Assets; or (iv) agreed, whether in writing or otherwise, to take any action described in this subsection.
- (i) *Litigation.* To the best knowledge of the Seller, no state of facts exists or has existed that would constitute grounds for the institution of any Action against the Seller or against any properties or rights of the Seller or the transactions contemplated by this Agreement or any other Acquisition Document. The Seller is not subject to any judgment, order, or decree entered in any lawsuit or proceeding that has materially adversely affected, or that can reasonably be expected to materially adversely affect, the transactions contemplated by this Agreement, the Seller, or the Assets.
- (j) *Tax Matters.* The Seller has no knowledge of any liability, whether or not proposed, for any Tax with respect to any period through the date hereof to be imposed upon any of the Assets.
- (k) *Insurance.* The Seller's assets are insured by reputable insurance companies licensed to do business in the state in which such property is located in such amounts customarily carried by comparable businesses. All such Insurance Policies are and will remain in full force and effect through the actual transfer of the Assets and, to the best knowledge of the Seller, there is no notice of or basis for any modification, suspension, termination, or cancellation of any Insurance Policy.

(l) *Contracts and Commitments.*

(1) Exhibit B hereto contains a complete list of each contract and commitment of the Seller that is material to the Assets, including but not limited to the following:

- a. all contracts or commitments, written or oral, with distributors, brokers, manufacturer's representatives, sales representatives, service or warranty representatives, customers, and other persons, firms, or corporations;
- b. all agreements pursuant to which the Seller acquired a substantial portion of its assets;
- c. any agreements to extend service; and
- d. all other contracts and commitments of the Seller and instruments reflecting obligations for borrowed money or for other indebtedness or guarantees thereof.

(2) At the Purchaser's request, the Seller shall deliver or cause to be delivered to the Purchaser full and complete copies of the documents identified above and all such other agreements and instruments as the Purchaser may reasonably request.

(3) Each of the contracts listed on Exhibit B is valid and binding, and each of the contracts binding on the Seller (whether or not listed on Exhibit B) has been entered into as part of the ordinary course of business, and none of the contracts binding on the Seller contains terms or conditions that are materially adverse to the Seller. Neither the Seller nor any other party hereto is in default under or in breach or violation of, and neither the Seller nor any other party hereto has received notice of any asserted claim of default by any other party under, or a breach or violation of, any of the contracts, agreements, and commitments described in this subsection.

(m) *Customers.* The Seller has no knowledge or basis for knowledge that any customer or group of related customers (i.e., any customers who are directly or indirectly through one or more intermediaries under common control), has terminated or expects to terminate a material portion of its normal business with the Seller.

(n) *Accounts Receivable.* In consideration for Purchaser's obligations under Section 6(e), the parties intend that all Accounts Receivable for service provided through March 20, 2008 shall remain the property of the Seller. The Purchaser shall have no obligation to collect Accounts Receivable due to the

Seller. Accounts Receivable resulting from service rendered after March 20, 2008 shall become the property of the Purchaser.

- (o) *Condition of Assets.* All of the Assets of the Seller are in good condition and repair (ordinary wear and tear excepted) and workable, usable, and adequate for the uses to which they have been put by the Seller in the ordinary course of business, and none of the tangible assets is in need of repair, other than routine maintenance. The Seller has not received any notice of any violations of any requirements of law (specifically including, but not limited to, regulations of the West Virginia Bureau of Public Health) with respect to the Seller's assets that have not been cured.
- (p) *Disclosure.* No representation or warranty by the Seller in this Agreement or any of the other Acquisition Documents (including, without limitation, the Exhibits), contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to the Seller that materially adversely affects, or that might in the future materially adversely affect, the assets of the Seller that has not been set forth in this Agreement.
- (q) *Capitalization.* All of the issued and outstanding shares of capital stock of Seller are owned free and clear by the Shareholders as listed in Exhibit C attached hereto and there are no other shares of capital stock of Seller outstanding. There are no outstanding subscriptions, options, rights, warrants, convertible securities, or other agreements or commitments obligating Seller to issue or to transfer from treasury any additional shares of its capital stock.
- (r) *Solvency.* Seller is solvent and able to pay its outstanding debts as they mature. Seller will not be rendered insolvent by the transfer of the Assets pursuant to this Agreement, and the transfer of the Assets is not fraudulent to any creditor or equity interest holder of Seller.

6. Purchaser Representations and Warranties.

Purchaser represents and warrants to Purchaser that the statements contained in this Section 6 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 6).

- (a) *Organization of Purchaser.* Purchaser is a public service district of the State of West Virginia in good standing under the laws of the jurisdiction of its organization.
- (b) *Authorization of Transaction.* The Purchaser has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, the board or members of Purchaser have duly authorized the execution, delivery, and performance of

this Agreement. This Agreement constitutes the valid and legally binding obligation of Purchaser, enforceable in accordance with its terms and conditions.

- (c) *Noncontravention.* To the knowledge of Purchaser, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Purchaser is subject or (ii) conflict with, result in a breach of, constitute a default under, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Purchaser is a party or by which it is bound or to which any of its assets is subject except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice would not have a material adverse effect on the financial condition of Purchaser. Except as otherwise set forth in this Agreement, Purchaser does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the parties to consummate the transactions contemplated by this Agreement except where the failure to give notice, to file, or to obtain any authorization, consent, or approval would not have a material adverse effect on the financial condition of Purchaser.
- (d) *Brokers' Fees.* Purchaser does not have any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Seller could become liable or obligated.
- (e) *Assumption of Purchased Water and Electrical Service Expenses Prior to Closing Date.* In consideration for the Accounts Receivable transferred to the Purchaser pursuant to Section 5(n), Purchaser shall assume responsibility for purchased water and electrical service cost incurred to provide service to customers beginning March 21, 2008, provided that all other expenses incurred by the Seller prior to the Closing Date shall remain the sole obligation of the Seller.

7. **Pre-Closing Covenants.**

The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing.

- (a) *General.* Each of the Parties will use its reasonable best efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth below).

- (b) *Full Access.* Seller will permit representatives of Purchaser to have full access at all reasonable times, and in a manner so as not to interfere with the operation of the Assets, to all premises, properties, personnel, books, records, contracts, and documents of or pertaining to the Assets.
- (c) *Mutual Obligations.* Seller hereby covenants and agrees with the Purchaser and the Purchaser hereby covenants and agrees with the Seller that:
 - i. conducted its business and operations and used the Assets only in the ordinary course, at levels consistent with past practice;
 - ii. maintained all of the Assets in good condition, working order, and repair (except for ordinary wear and tear);
 - iii. performed its obligations under all agreements binding upon it and maintained all of its Licenses and Permits in good standing;
 - iv. continued in effect the Insurance Policies (or similar coverage);
 - v. maintained and preserved the good will of the customers and others having business relations with it; and
 - vi. continued all of its maintenance programs.
- (d) *Execution of Documents.* Before and after the Closing, each party hereto shall execute and deliver such instruments and take such other actions as any other party may reasonably request for the purpose of carrying out the intent of this Agreement and the other Acquisition Documents.
- (e) *Notice of Developments.*

(i) Seller may elect at any time to notify Purchaser of any development causing a breach of any of its representations and warranties in Section 5 above. Unless Purchaser has the right to terminate this Agreement by reason of the development and exercises that right within forty-five (45) days the written notice pursuant to this Section will be deemed to have qualified the representations and warranties contained in Section 5 above, and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the development.

(ii) Each Party will give prompt written notice to the other Party of any material adverse development causing a breach of any of its own representations and warranties in Sections 5 nor 6 above. No disclosure by any Party pursuant to this Section, however, shall be deemed to amend or supplement the Disclosure Schedule attached hereto as Exhibit D or to prevent or cure any misrepresentation or breach of warranty.

8. General Conditions Precedent to Closing.

Closing of the transactions contemplated under this Agreement shall not occur until each of the following is completed to the reasonable satisfaction of each of the parties hereto:

- (a) Purchaser and Seller acquire any approvals Purchaser and/or Seller deem required from the PSC.
- (b) Purchaser and Seller shall have received such other necessary consents or waivers as may be required for the sale including, but not limited to, consent of the West Virginia Department of Environmental Protection and the West Virginia Department of Health.

9. Purchaser's Conditions Precedent to Closing.

Closing of the transactions contemplated under this Agreement shall not occur until each of the following is completed to the reasonable satisfaction of Purchaser:

- (a) Purchaser's satisfaction with the continued accuracy of Seller's representations and warranties as set forth in Section 5 above such that the representations and warranties of the Seller contained herein, in the other Acquisition Documents (including, without limitation, all schedules and exhibits hereto and thereto) and in all certificates and documents delivered by the Seller shall be true and accurate as of the Closing Date, except for changes permitted or contemplated by this Agreement.
- (b) No portion of the Assets of the Seller shall, on or before the Closing Date, be damaged or destroyed, whether or not covered by any Insurance Policy.
- (c) No material adverse change in the Assets of the Seller shall have occurred on or before the Closing Date.
- (d) Purchaser's receipt of evidence satisfactory to Purchaser confirming Seller's good title to the assets, including without limitation title and lien searches.
- (e) The Seller shall have performed and complied in all material respects with all agreements, obligations, and conditions required by this Agreement or the other Acquisition Documents to be performed or complied with by them on or before the Closing Date.
- (f) All filings with and consents from government agencies and third parties required to consummate the transactions contemplated hereby and by the other Acquisition Documents shall have been made or obtained, except to the extent that making any such filing or obtaining any such consent has been waived in writing by the Purchaser or the failure to obtain any such consent or make any such filing would not have a material adverse effect on the Assets of the Seller

or the transactions contemplated hereby or by the other Acquisition Documents.

- (g) Purchaser's receipt of satisfactory surveys of the real property included among the assets.
- (h) The Seller shall have delivered, or caused to be delivered to the Purchaser, the documents and instruments described below.
 - 1) The opinion of counsel for the Seller, in form and substance reasonably satisfactory to the Purchaser and its counsel and containing such assumptions and limitations as are customary or reasonable for opinion letters normally provided in similar transactions, covering at least the following:
 - a. the Seller is a corporation validly existing and in good standing under the laws of the State of West Virginia;
 - b. the execution, delivery, and performance of this Agreement, the other Acquisition Documents to which the Seller is a party, and the other instruments or documents required to be executed by the Seller in connection herewith and therewith have been authorized by all necessary corporate and other actions of the Seller and have been duly executed and delivered by the Seller and constitute legal, valid, and binding obligations of such parties enforceable in accordance with their terms to the extent the Purchaser should be able to realize the practical benefits thereof;
 - c. the consummation of the transactions contemplated by this Agreement, the other Acquisition Documents to which the Seller is a party, and all other instruments or documents required to be executed by the Seller in connection herewith and therewith will not violate or result in a breach of or constitute a default under the Articles of Incorporation, By-Laws, or other organizational agreements of the Seller;
 - d. that the Seller has good and marketable title to the Assets;
 - e. except for such actions and proceedings as are disclosed to the Purchaser in writing, Seller's counsel does not know of any limitation, governmental investigation, actions, or suits, pending or threatened, against or relating to the transactions

contemplated by this Agreement or any other Acquisition Document to which Seller is a party; and

- f. that Taxes are paid and current on the Assets.
- 2) A copy of the shareholder authorization and/or resolution adopted by the Board of Directors of the Seller authorizing this Agreement and the other Acquisition Documents and the transactions contemplated hereby and thereby.
- 3) All title documentation with respect to titled Assets appropriately completed and executed transferring title to such assets to the Purchaser.
- 4) A fully executed Bill of Sale to the nontitled Assets conveying legal title to such assets.
- 5) Such other documents, instruments, or certificates as shall be reasonably requested by the Purchaser or its counsel.
- 6) Such certificates of its officers and others as may reasonably be required by the Purchaser to evidence compliance with the conditions set forth in this subsection.
- 7) Engineering plans of the System showing the System *as built*.

10. Closing.

The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Cody Pancake, III, Esquire, in Keyser, West Virginia commencing at 9:00 a.m. local time on the second business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other date as the Parties may mutually determine (the "Closing Date").

11. Termination.

- (a) *Termination of Agreement.* Certain of the Parties may terminate this Agreement as provided below:
 - (i) Seller and Purchaser may terminate this Agreement by mutual written consent at any time prior to the Closing;
 - (ii) Purchaser may terminate this Agreement by giving written notice to the Seller at any time prior to the Closing in the event (A) Seller has within the then previous forty-five (45) days given the Purchaser any notice

pursuant to Section 7(c)(i) above and (B) the development that is the subject of the notice has had a material adverse effect upon Assets taken as a whole and the adverse effect has continued without cure for a period of ninety (90) days after the notice of breach;

- (iii) Purchaser may terminate this Agreement by giving written notice to Seller at any time prior to the Closing if the Closing shall not have occurred on or before January 1, 2009, by reason of the failure of any condition precedent under Sections 8 or 9 hereof (unless the failure results from Purchaser itself breaching any representation, warranty, or covenant contained in this Agreement); and
 - (iv) Seller may terminate this Agreement by giving written notice to Purchaser at any time prior to the Closing (A) in the event Purchaser has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, Seller has notified Purchaser of the breach, and the breach has continued without cure for a period of ninety (90) after the notice of breach or (B) if the Closing shall not have occurred on or before January 1, 2009, by reason of the failure of any condition precedent under Section 8 hereof (unless the failure results from Seller itself breaching any representation, warranty, or covenant contained in this Agreement).
- (b) *Effect of Termination.* If any Party terminates this Agreement pursuant to Section 11(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach); provided, however, Purchaser shall waive any objection it may have to Seller's seeking any and all regulatory approvals required or needed to operate the Assets.

12. Indemnification.

- (a) *Survival.* Notwithstanding (i) the making of this Agreement, (ii) any examination made by or on behalf of the parties hereto, and (iii) the Closing hereunder, (A) the representations and warranties of the parties contained herein or in any certificate or other document delivered pursuant hereto or in connection herewith shall survive until the tenth anniversary of the Closing Date, and (B) the covenants and agreements required to be performed after the Closing pursuant to any provision of this Agreement, shall survive until fully performed or fulfilled. No action for indemnification pursuant to Sections 12(b)(3) may be brought after the tenth anniversary of the Closing Date, provided, however, that if before such date Purchaser has notified the Seller of a claim for indemnity hereunder (whether or not formal legal action shall have been commenced based upon such claim), such claim shall continue to be subject to indemnification in accordance herewith.

- (b) *Indemnification by the Seller.* The Seller, its successors, and assigns shall indemnify and hold the Purchaser and its successors and assigns harmless in respect of any and all claims, losses, damages, liabilities, and expenses (including, without limitation, settlement costs and legal, accounting, and other expenses in connection therewith) (collectively, the “Damages”) incurred by the Purchaser and its successors and assigns in connection with each and all of the following:
- (1) Any claim by any person or other entity for any broker’s or finder’s fee or similar fee charged for commission that arises from any action, statement, or commitment made by the Seller or its agents or Affiliates.
 - (2) Any breach or other failure to perform any covenant, agreement, or obligation of the Seller contained in this Agreement, any other Acquisition Document or any other instrument, including all certificates, contemplated hereby or thereby.
 - (3) Any breach of any representation or warranty by the Seller contained in this Agreement, any other Acquisition Document or any other instrument, including all certificates, contemplated hereby or thereby, but only to the extent that the Damages arising in connection with all such breaches exceed \$1,000 in the aggregate.
 - (4) Any damages with respect to taxes.
 - (5) Any breach or other failure to perform fully before the Closing Date any agreement that is required to be disclosed.
- (c) *Notice and Defense of Claim.* Whenever any claim shall arise for indemnification hereunder, the Purchaser shall provide written notice to the Seller within sixty (60) days of becoming aware of the right to indemnification and, as expeditiously as possible thereafter, the facts constituting the basis for such claim. In connection with any claim giving rise to indemnity hereunder, resulting from or arising out of any claim or legal proceeding by a person who is not a party to this Agreement, the Seller, at its sole cost and expense and upon written notice to the Purchaser, may assume the defense of any such claim or legal proceeding with counsel reasonably satisfactory to the Purchaser. The Purchaser shall be entitled to participate in the defense of any such action, with its counsel and at its own expense. If the Seller does not assume the defense of any such claim or litigation resulting

therefrom, the Purchaser may, but shall not be obligated to, defend against such claim or litigation in such manner as it may deem appropriate including, but not limited to, settling such claim or litigation, after giving notice of it to the Seller, on such terms as the Purchaser may deem appropriate and no action taken by the Purchaser in accordance with such defense and settlement shall relieve the Seller of its indemnification obligations herein provided with respect to any Damages resulting therefrom.

13. **Miscellaneous.**

- (a) *No Third-Party Beneficiaries.* This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.
- (b) *Entire Agreement.* This Agreement (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.
- (c) *Succession and Assignment.* This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party.
- (d) *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.
- (e) *Headings.* The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.
- (f) *Notices.* All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller:

John Terry Malone
Wiley Ford Water Co.
PO Box 10
Wiley Ford, WV 26767

Copy to:

Max H. White, Esquire
PO Box 148
Keyser, WV 26726

If to Purchaser:

Copy to:

Chairman
Frankfort Public Service District
PO Box 80
Wiley Ford, WV 26767-0080

John C. Stump, Esq.
Steptoe & Johnson PLLC
PO Box 1588
Charleston, WV 25326-1588

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

- (g) *Governing Law.* This Agreement shall be governed by and construed in accordance with the domestic laws of the State of West Virginia without giving effect to any choice or conflict of law provision or rule (whether of the State of West Virginia or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of West Virginia. The parties agree that any action shall be brought before the Circuit Court of Mineral County, West Virginia.
- (h) *Amendments and Waivers.* No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.
- (i) *Severability.* Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.
- (j) *Expenses.* Each of Purchaser and Seller will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Without limiting the generality of the foregoing, all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges

and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement shall be paid by the Purchaser when due.

- (k) *Construction.* The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” shall mean including without limitation.
- (l) *Incorporation of Exhibits and Schedules.* The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

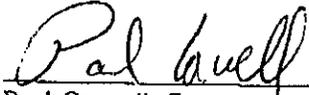
[Remainder of page intentionally blank.]

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

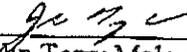
FRANKFORT PUBLIC SERVICE DISTRICT

By: 
Blane Murray, Chairman

Attest


Paul Corwell, Secretary

WILEY FORD WATER CO.

By: 
John Terry Malone, President

04.30.08
306370.00002

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EXHIBIT A

ASSETS

1. Mains, pump stations, rights-of-way, fee parcels, inventory, supplies, equipment, machinery, tools, furnishings, fixtures and other appurtenances allowing for provision of water.
2. All design, permitting, construction and installation documentation associated with the items listed in 1 above.
3. All permits and regulatory approvals received by Seller with respect to items 1 and 2 above.
4. All real estate and improvements necessary and required for the Assets.
5. All accounts receivable of the Seller after March 20, 2008.

EXHIBIT B

**LIST OF SELLER'S COMMITMENTS
MATERIAL TO THE ASSETS**

None.

EXHIBIT C

LIST OF SELLER'S SHAREHOLDERS

1.	John & Phyllis Malone	109/139
2.	Leland C. Malone Sr	3/139
3.	Alfred & Kathern Abe	8/139
4.	Regina Monahan	4/139
5.	Benny Brakeall	3/139
6.	Marvin Ross	2/139
7.	Marion C. Morris	2/139
8.	Madeline Largent	2/139
9.	Paul Defibaugh	2/139
10.	Dorotha C. Everett	2/139
11.	Roger Bender	2/139

EXHIBIT D
DISCLOSURE SCHEDULE

None.

WILEY FORD WATER CO.,
a West Virginia Corporation, GRANTOR

TO DEED

FRANKFORT PUBLIC SERVICE DISTRICT, a public utility and political
subdivision of the State of West Virginia, GRANTEE

This Deed, made this 6th day of May 2008, by and between Wiley Ford Water Co., a
West Virginia Corporation, Grantor and party of the first part, and Frankfort Public Service
District, a public utility and political subdivision of the State of West Virginia, Grantee and
party of the second part.

Witnesseth; that for and in consideration of the sum of ten dollars (\$10.00), cash in hand
paid, and for other good and valuable consideration, the receipt of all of which is hereby
acknowledged, the said party of the first part does hereby grant, bargain, sell and convey, with
covenants of general warranty, unto the said Frankfort Public Service District, a public utility
and political subdivision of the State of West Virginia, party of the second part, all of those
certain tracts of real estate situate, lying and being in the Village of Wiley Ford, Frankfort
District, Mineral County, West Virginia and more fully described as follows:

TRACT ONE: Lot 157

BEGINNING at a point on the West side of Spring Street at the intersection of the land
hereby conveyed with the Northeast corner of Lot No. 154; running thence with the North side
of Lot No. 154 N. 73 deg. 40' W. 150 feet to the East side of an alley; thence running with the
East side of said alley N. 16 deg. 20' E. 200 feet to the South side of Lot No. 158; thence
running with the South side of Lot No. 158 S. 73 deg. 40' E. 150 feet to the West side of Spring
Street; thence running with the West side of Spring Street, S. 16 deg. 20' W. 200 feet to the
place of BEGINNING, and being all of Lots No. 155, 156 and 157 as shown on the plat of the
Homestead Development Company, recorded in the office of the Clerk of the County Court of
Mineral County, West Virginia, in Deed Book No. 33, at page 456.

The above described real estate is the same real estate conveyed from the Wiley Ford
Volunteer Fire Company, a corporation to Wiley Ford Water Company, a corporation by that
certain deed dated March 31, 1959 and recorded in the Office of the Clerk of the County
Commission of Mineral County, West Virginia in Deed Book 126 at page 143.

This conveyance is subject to that certain off conveyance from the above described real
estate, being particularly Lots 155 and 156 of the Homestead Development Co., from Wiley
Ford Water Company, a corporation to William E. Ruckman and Estella V. Ruckman by that
certain deed dated April 18, 1959 and recorded in the aforesaid Clerk's office in Deed Book
126 at page 314.

TRACT TWO: Lot 416

The rear twenty (20) feet of lot number four hundred sixteen (416) of Subdivision "D"

State of West Virginia,

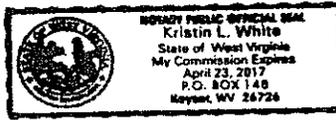
County of Mineral, to-wit:

On this the 6th day of May, 2008, before me the undersigned officer, Terry Malone, personally appeared on behalf of Wiley Ford Water Co., a West Virginia Company, known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

My commission expires: 4-23-2017

Kristin L. White
Notary Public

Max H. White, Esq.
Lawyer
P O Box 148
Keyser WV 26726



State of West Virginia, Mineral County, to-wit:
Be It remembered that on this 6
day of May, 2008. The
foregoing deed was
presented in the Office of the Clerk of County
Commission and admitted to record.
Lauren T. P. Ellifritz sh
Clerk of County Commission

Wiley Ford Co.,
A West Virginia Corporation and public utility,
Assignor

To

Frankfort Public Service District
a public utility and political subdivision of
the State of West Virginia,
Assignee

ASSIGNMENT OF RIGHTS OF WAY AND EASEMENTS OF
WILEY FORD WATER COMPANY

THIS ASSIGNMENT OF RIGHTS OF WAY AND EASEMENTS, made this 6th
day of May, 2008, by and between Wiley Ford Water Co., a West Virginia corporation,
and public utility party of the first part, hereinafter sometimes referred to as the
“Assignor”, and Frankfort Public Service District, a public corporation and political
subdivision of the State of West Virginia, party of the second part, hereinafter sometimes
referred to as the “Assignee”;

WHEREAS, Assignor duly adopted a resolution on February 19, 2008, approving
the transfer and sale of the assets of Assignor to Assignee, and further in accordance with
an Asset Purchase Agreement executed May 6, 2008 between Assignor and Assignee,
Assignor agrees to transfer all of its right in the hereinafter designated rights of way to the
Assignee;

WHEREAS, the Public Service Commission of West Virginia, in Case No: 06-
1320-PWD-W-PC, by Final Order entered on January 29, 2008, approved the transfer of
all assets of Assignor to Assignee; and

WHEREAS, the West Virginia Water Development Authority, as bondholder, and
the West Virginia Infrastructure and Jobs Development Counsel have approved the
transfer of the assets of Assignor to Assignee and in accordance therewith Wiley Ford
Water Co. is hereby executing and delivering this Assignment of Rights of Way and
Easements to evidence the transfer of all right, title and interest in and to any and all
rights of way and easements owned by, or reserved to, Wiley Ford Water Co. to Frankfort
Public Service District.

WITNESSETH, for the sum of Ten and 00/100 Dollars (\$10.00), cash in hand
paid by the Assignee to the Assignor, and for other good and valuable considerations, the

receipt and sufficiency of which are hereby acknowledged, the Assignor does hereby grant, sell, bargain, assign, transfer, set over, deliver and convey to Assignee all of its right, title and interest in and to any and all rights of way and easements, together with all appurtenant improvements, rights, and privileges, owned by, or reserved to Wiley Ford Water Co. The intent of this conveyance is to convey to Assignee any and all Rights of Way and Easements which Assignor may have, whether or not documents conveying same to Assignor have been recorded in the Office of the Clerk of the County Commission of Mineral County, to which Assignor has an interest.

Pursuant to the provision of the West Virginia Code Section 11-22-1, Assignor declares that this conveyance is not subject to the excise tax on the privilege of transferring real property as the transfer is to a political subdivision of the State of West Virginia.

IN WITNESS WHEREOF, Wiley Ford Water Co. has caused its corporate name to be signed and its corporate seal to be affixed hereto by its proper officer thereunto duly authorized, all as of the day and year first hereinabove written.

WILEY FORD WATER CO.

[SEAL]

By: [Signature]
Its: President

STATE OF WEST VIRGINIA

COUNTY OF Mineral, to-wit:

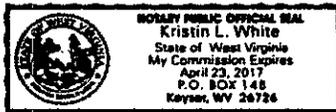
I, Kristin White, a Notary Public in and for the County and State aforesaid, do certify that Terry Malone, President who signed the writing hereto annexed, bearing date the 6th day of May 2008, for Wiley Ford Water Co., a corporation, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official seal this 6 day of May, 2008.

My Commission Expires: 4-23-2017

[Signature]
Notary Public

This instrument prepared by:
Max White
Attorney at Law
P.O. Box 148
108 N. Main Street
Keyser, WV 26726



State of West Virginia, Mineral County, to-wit:

Be it remembered that on this 6 day of May, 2008 the foregoing Assignment of Reg. Way was presented in the Office of the Clerk of County Commission and admitted to record.
Lauren T. P. Ellifritz
Clerk of County Commission

BILL OF SALE
OF
WILEY FORD WATER COMPANY

THIS BILL OF SALE, made this 6 day of May, 2008, by and between WILEY FORD WATER COMPANY, a West Virginia corporation and public utility, party of the first part, hereinafter referred to as the "Seller," and FRANKFORT PUBLIC SERVICE DISTRICT, a public utility and political subdivision of the State of West Virginia, party of the second part, hereinafter referred to as the "Purchaser;"

WHEREAS, Seller adopted a resolution on February 19, 2008, approving the sale and transfer of the assets of Seller to Purchaser, in accordance with a Final Order of the Public Service Commission of West Virginia, in Case No. 06-1320-PWD-W-PC entered on January 29, 2008 and in accordance with an Asset Purchase Agreement dated May 6, 2008 between Seller and Purchaser and the approval of the bondholders of the District;

WHEREAS, the Wiley Ford Water Company is hereby executing and delivering this Bill of Sale to evidence the sale, transfer and assignment of all personal property, tangible or intangible, and interests in personal property owned by Wiley Ford Water Company to Frankfort Public Service District.

WITNESSETH, that for the sum of Four Hundred Thousand Dollars and Zero Cents, (\$400,000.00), cash in had paid by the Purchaser to the Seller, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Seller does hereby sell, assign, transfer, set over and deliver to Purchaser all personal property, including, but not limited to, all inventory, vehicles, accounts receivable after March 20, 2008, and more particularly all assets identified in Exhibit A, a copy of which is attached hereto and incorporated herein by reference and any other tangible or intangible personal property, and any interest in personal property owned by the Seller, wherever located and of whatever nature.

The Seller shall deliver possession of the aforesaid personal property to Purchaser on the date of the Closing.

IN WITNESS WHEREOF, Wiley Ford Water Company has caused its corporate name to be signed and its corporate seal to be affixed hereto by its proper officer thereunto duly authorized, all as of the day and year first hereinabove written.

WILEY FORD WATER COMPANY

By: [Signature]
Its: President

STATE OF WEST VIRGINIA,

COUNTY OF MINERAL, TO-WIT:

I, KRISTIN WHITE, a Notary Public in and for the County and State aforesaid, do certify that JOHN T. MALONE, who signed the writing hereto annexed, bearing date the 6 day of May, 2008, for Wiley Ford Water Company, a West Virginia corporation and public utility, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official seal this 6 day of May, 2008.

My Commission Expires:
4-22-2017

[Signature]
NOTARY PUBLIC

This instrument prepared by:

Max H. White, Esq.
114 N. Main Street
PO Box 148
Keyser, WV 26726

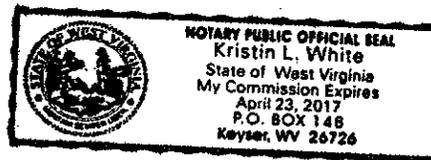


EXHIBIT A

ASSETS

1. Mains, pump stations, rights-of-way, fee parcels, inventory, supplies, equipment, machinery, tools, furnishings, fixtures and other appurtenances allowing for provision of water.
2. All design, permitting, construction and installation documentation associated with the items listed in 1 above.
3. All permits and regulatory approvals received by Seller with respect to items 1 and 2 above.
4. All real estate and improvements necessary and required for the Assets.
5. All accounts receivable of the Seller after March 20, 2008.
6. All customer lists of Seller.