

**FRANKFORT PUBLIC SERVICE DISTRICT**

**Water Revenue Bonds, Series 2010 A  
(West Virginia Infrastructure Fund)**

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**FRANKFORT PUBLIC SERVICE DISTRICT**  
**WATER REVENUE BONDS, SERIES 2010 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 \$3,240,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 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 renovate, replace and expand the existing water distribution system to serve the community of Wiley Ford in Mineral County (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 2010 A (West Virginia Infrastructure Fund) in the total aggregate principal amount of \$3,240,000 (the "Series 2010 A Bonds"), to permanently finance a portion of 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 2010 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 2010 A Bonds as to liens, pledge and source of and security for payment, which obligations are the Issuers: (i) Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$223,000 (the "Series 1976 Bonds"), (ii) 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"), (iii) Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the original aggregate principal amount of \$400,000 (the "Series 2008 A Bonds"), (iv) Water Revenue Bonds, Series 1979 (United States Department of Agriculture), dated January 4, 1980, originally issued to Fort Ashby Public Service District in the aggregate principal amount of \$301,000 (the "Series 1979 Bonds"); (v) Water Revenue Bonds, Series 1993 A (United States Department of Agriculture), dated December 2, 1993, originally issued to Fort Ashby Public Service District in the aggregate principal amount of \$1,325,000 (the "Series 1993 A Bonds") and (vi) Water Revenue Bonds, Series 1993 B (United States Department of Agriculture), dated December 2, 1993, issued originally to Fort Ashby Public Service District in the aggregate principal amount of \$198,000 (the "Series 1993 B Bonds" collectively, the "Prior Bonds").

The Series 2010 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 2010 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 the Holders of the Prior Bonds to the issuance of the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 A Bonds for all or a portion of the proceeds of the Series 2010 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 Rummel, Klepper & Kahl, LLP, Keyser, West Virginia or 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 2010 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 2010 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2010 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 2010 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 2010 A Bonds in the Supplemental Resolution.

“Prior Bonds” means, collectively, the Series 1976 Bonds, Series 1993 Bonds, Series 1993 A Bonds, Series 1993 B Bonds, Series 1979 Bonds and Series 2008 A 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.

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2010 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 2010 A Bonds and the Prior Bonds.

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

"RUS Bonds" means the Series 1976 Bonds, Series 1993 Bonds, Series 1993 A Bonds, Series 1993 B Bonds and Series 1979 Bonds.

"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 \$223,000.

“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 1993 A Bonds” means the Water Revenue Bonds, Series 1993 A (United States Department of Agriculture), dated December 2, 1993, originally issued to the Fort Ashby Public Service District in the original aggregate principal of \$1,325,000.

“Series 1993 B Bonds” means the Water Revenue Bonds, Series 1993 B (United States Department of Agriculture), dated December 2, 1993, originally issued to the Fort Ashby Public Service District in the aggregate principal of \$198,000.

“Series 1979 Bonds” means the Water Revenue Bonds, Series 1979 (United States Department of Agriculture), dated January 4, 1980, originally issued to the Fort Ashby Public Service District in the aggregate principal amount of \$301,000.

“Series 2008 A Bonds” means the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the original aggregate principal of \$400,000.

“Series 2010 A Bonds” means the Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

“Series 2010 A Bonds Project Trust Fund” means the Series 2010 A Bonds Project Trust Fund established by Section 5.01 hereof.

“Series 2010 A Bonds Reserve Account” means the Series 2010 A Bonds Reserve Account established in the Series 2010 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

“Series 2010 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 2010 A Bonds in the then current or any succeeding year.

“Series 2010 A Bonds Sinking Fund” means the Series 2010 A Bonds Sinking Fund established by Section 5.02 hereof.

“Sinking Funds” means, collectively, the respective Sinking Funds established for the Series 2010 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 2010 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2010 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 Renewal 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 and construction of the Project, at an estimated cost of \$5,100,000. The proceeds of the Series 2010 A Bonds hereby authorized shall be applied as provided in Article VI hereof.

The cost of the Project is estimated not to exceed \$5,100,000 of which approximately \$3,240,000 will be obtained from the proceeds of the Series 2010 A Bonds, \$1,500,000 will be obtained from a Small Cities Block Grant and \$360,000 will be obtained as a grant from the Council.

## **ARTICLE III**

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

Section 3.01. Authorization of Bonds. The Series 2010 A Bonds shall be issued as a single bond, designated as “Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund),” in the principal amount of \$3,240,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2010 A Bonds remaining after funding of the Series 2010 A Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series

2010 A Bonds, if any, shall be deposited in or credited to the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 A Bonds. The Series 2010 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 2010 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 2010 A Bonds shall cease to be such officer of the Issuer before the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 A Bonds or transferring the registered Series 2010 A Bonds are exercised, all Series 2010 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2010 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 2010 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 2010 A Bonds or, in the case of any proposed redemption of Series 2010 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 2010 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 2010 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 2010 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2010 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 2010 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 2010 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 2010 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2010 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 2010 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 2010 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 2010 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2010 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 2010 A BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
FRANKFORT PUBLIC SERVICE DISTRICT  
WATER REVENUE BOND, SERIES 2010 A  
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: This \_\_\_\_ day of \_\_\_\_\_, 2010, 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, 20\_\_ 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 \_\_\_\_\_, 2010.

This Bond is issued (i) to pay a portion of the costs of the acquisition and construction of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"), and (ii) to pay certain costs of issuance and related costs. 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 \_\_\_\_\_, 2010, and a Supplemental Resolution duly adopted by the Issuer on \_\_\_\_\_, 2010 (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 (I) WATER REVENUE BONDS, SERIES 1976 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 16, 1976, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$223,000 (THE "SERIES 1976 BONDS"), (II) 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"), (III) WATER REVENUE BONDS, SERIES 1993 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED DECEMBER 2, 1993, ORIGINALLY ISSUED TO FORT ASHBY PUBLIC SERVICE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF 1,325,000 (THE "SERIES 1993 A BONDS"), (IV) WATER REVENUE BONDS, SERIES 1993 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED DECEMBER 2, 1993, ORIGINALLY ISSUED TO THE FORT ASHBY PUBLIC SERVICE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF \$198,000 (THE "SERIES 1993 B BONDS"), (V) WATER REVENUE BONDS, SERIES 1979 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JANUARY 4, 1980, ORIGINALLY ISSUED TO THE FORT ASHBY PUBLIC SERVICE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF \$301,000 (THE "SERIES 1979 BONDS") AND (VI) WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED MAY 6, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$400,000 (THE "SERIES 2008 A 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 2010 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 2010 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 2010 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

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 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: \_\_\_\_\_, 2010

THE HUNTINGTON NATIONAL BANK,  
as Registrar

\_\_\_\_\_  
Authorized Officer

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: \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2010 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 by Prior Resolution);
- (3) Series 1976 Bonds Reserve Account (established by Prior Resolution);
- (4) Series 1993 Bonds Reserve Account (established by Prior Resolution); and
- (5) Series 2010 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 (established by Prior Resolution),
- (2) Series 2008 A Bonds Reserve Account (established by Prior Resolution),
- (3) Series 2010 A Bonds Sinking Fund; and
- (4) Series 2010 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 RUS 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 RUS Bonds, as required by the Prior Resolutions; (ii) remit to the commission the amount required to pay principal on the Series 2008 A Bonds as required by the Prior Resolution and (iii) remit to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2010 A Bonds, for deposit in the Series 2010 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2010 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 2010 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 RUS Bonds; (ii) to the Commission on the amount required by the Prior

Resolutions for deposit on the Series 2008 A Bonds Reserve Account and (iii) to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2010 A Bonds, if not fully funded upon issuance of the Series 2010 A Bonds, for deposit in the Series 2010 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2010 A Bonds Reserve Requirement, until the amount in the Series 2010 A Bonds Reserve Account equals the Series 2010 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2010 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 2010 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 2010 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2010 A Bonds as the same shall become due. Monies in the Series 2010 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2010 A Bonds as the same shall come due, when other monies in the Series 2010 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2010 A Bonds Sinking Fund and the Series 2010 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 2010 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 2010 A Bonds, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2010 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 2010 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 2010 A Bonds Sinking Fund and the Series 2010 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2010 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 2010 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 2010 A Bonds Sinking Fund and the Series 2010 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. 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 2010 A Bonds Sinking Fund and the Series 2010 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2010 A Bonds Sinking Fund and the Series 2010 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2010 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 2010 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 2010 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2010 A Bonds, there shall first be deposited with the Commission in the Series 2010 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 2010 A Bonds for the period commencing on the date of issuance of the Series 2010 A Bonds and ending 6 months after the estimated date of completion of the Project.

B. Next, from the proceeds of the Series 2010 A Bonds, there shall be deposited with the Commission in the Series 2010 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2010 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2010 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2010 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 2010 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 2010 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 and shall provide an opinion of counsel to the Issuer of such effect. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement and the Issuer shall provide a certificate of a certified public accountant of such effect. 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 Recommended Decision of the Public Service Commission of West Virginia entered January 29, 2010 which became Final Order on February 18, 2010, in Case 09-0680-PWD-CN, and such rates are hereby adopted.

So long as the Series 2010 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 2010 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 2010 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 2010 A Bonds, immediately be remitted to the Commission for deposit in the Series 2010 A Bonds Sinking Fund and applied to the payment of principal of and interest, if any, on the Series 2010 A Bonds. Any balance remaining after the payment of the Series 2010 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 2010 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 RUS 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:

So long as the Series 2008 A Bonds or Series 2010 A A Bonds are outstanding, 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 2010 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 2010 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 2010 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2010 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 2010 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2010 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 2010 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 2010 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 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 2010 A Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 2010 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 2010 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 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 acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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.

The Issuer will serve the additional customers at the location(s) as set forth in Certificate of Engineer. The Issuer will not reduce the amount of additional customers served by the project without the prior written approval of the Board of the Water Development Authority (the "Authority"). Following completion of the Project the Issuer will certify to the Authority the number of customers added to the System.

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 and construction 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 and shall provide an opinion of counsel to the Issuer of such effect.

Section 7.18. Reserved.

Section 7.19 Statutory Mortgage Lien. For the further protection of the Holders of the Series 2010 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 2010 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.

The Issuer shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia.

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; Change Orders, Public Releases.

A. The Issuer shall, simultaneously with the delivery of the Series 2010 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 2010 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 2010 A Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2010 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 2010 A Bonds as a condition to issuance of the Series 2010 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 2010 A Bonds as may be necessary in order to maintain the status of the Series 2010 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 2010 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 2010 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 2010 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 2010 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2010 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 2010 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2010 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 2010 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2010 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 2010 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 2010 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 2010 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.

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

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Adopted this 13th day of December, 2010.

  
Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FRANKFORT PUBLIC SERVICE DISTRICT on the 13th day of December, 2010.

Dated: December 22, 2010

[SEAL]

  
Secretary

06.08.10  
306370.00005

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 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 2010 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 December 13, 2010 (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 \$3,240,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 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 2010 A (West Virginia Infrastructure Fund), of the Issuer (the "Bonds"), in the aggregate principal amount not to exceed \$3,240,000 and has authorized the execution and delivery of the loan agreement relating to the Series 2010 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 2010 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$3,240,000. The Series 2010 A Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2050, and shall bear no interest. The principal of the Series 2010 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2012, to and including December 1, 2050, 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 2010 A Bonds. The Series 2010 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 2010 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 2010 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2010 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2010 A Bonds proceeds in the amount of -0- shall be deposited in the Series 2010 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2010 A Bonds shall be deposited in or credited to the Series 2010 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 December 22, 2010, 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 2010 A Bonds Sinking Fund and the Series 2010 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. The Issuer hereby approves and accepts the following Special Conditions included in Schedule Z of the Loan Agreement:

(a) The Governmental Agency shall only submit invoices under Contract 4 for items directly related to the Project;

(b) The Governmental Agency shall submit invoices for costs related to the Water Treatment facility only after the Council has approved a change order for the Water Treatment facility and has received a final title opinion with respect to the Water Treatment facility site; and

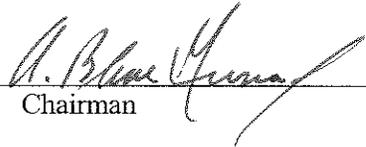
(c) The Governmental Agency shall submit invoices for costs related to the Cumberland Airport and Swan Pond extensions only after the Council has approved change orders for the extensions and received final title opinions with respect to the extension areas.

Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

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Adopted this 13th day of December, 2010.

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 13th day of December, 2010.

Dated: December 22, 2010.

[SEAL]

  
Secretary

06.08.10  
306370.00005

IC-1  
(08/09)

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  
(2006W-923 & 923b)

(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 10<sup>th</sup> of each month to the Authority and Council.

2.13 The Governmental Agency shall serve the additional customers at the location(s) as set forth in Schedule X. The Governmental Agency shall not reduce the amount of additional customers served by the project without the prior written approval of the WDA Board. Following completion of the Project the Governmental Agency shall certify to the Authority the number of customers added to the System.

2.14 The Governmental Agency shall perform an annual maintenance audit which maintenance audit shall be submitted to the WDA and the Public Service Commission of West Virginia.

### 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 5<sup>th</sup> day of such calendar month. When required by the Authority, the Local Entity shall make monthly payments to the Commission by electronic transfer;

(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 making any changes to the final Schedule B and also 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:

  
\_\_\_\_\_  
Its: Secretary

By:   
\_\_\_\_\_  
Its: Chairman  
Date: December 22, 2010

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

Attest:

  
\_\_\_\_\_  
Its: Authorized Officer

By:   
\_\_\_\_\_  
Its: Executive Director  
Date: December 22, 2010

{C1920085.1}

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 firm<sup>1</sup> has ascertained that all

<sup>1</sup>If 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, <sup>2</sup>the 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. \_\_\_\_\_

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

<sup>2</sup>If 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 10<sup>th</sup> 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 \$3,240,000

Purchase Price of Local Bonds \$3,240,000

The Local Bonds shall bear no interest. Commencing September 1, 2012, 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 authorize the Commission to electronically debit its monthly payments. The Commission 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 interests 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;
- (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;
- (iii) Frankfort Public Service District Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the original aggregate principal amount of \$400,000;

- (iv) Frankfort Public Service District Water Revenue Bonds, Series 1979 (United States Department of Agriculture), dated January 4, 1980, originally issued to Fort Ashby Public Service District in the aggregate principal amount of \$301,000;
- (v) Frankfort Public Service District Water Revenue Bonds, Series 1993 A (United States Department of Agriculture), dated December 2, 1993, originally issued to Fort Ashby Public Service District in the aggregate principal amount of \$1,325,000; and
- (vi) Frankfort Public Service District Water Revenue Bonds, Series 1993 B (United States Department of Agriculture), dated December 2, 1993, issued originally to Fort Ashby Public Service District in the aggregate principal amount of \$198,000.

Number of New Customers to Be Served: 70

Location: Wiley Ford area

**SCHEDULE Y**  
**DEBT SERVICE SCHEDULE**

<b>BOND DEBT SERVICE</b>			
Frankfort PSD			
IF			
0% Interest Rate			
40 Years from Closing Date			
	Dated		
	Date	12/22/10	
	Delivery		
	Date	12/22/10	
Period	Principal	Interest	Debt
Ending			Service
9/1/12	21,039		21,039
12/1/12	21,039		21,039
3/1/13	21,039		21,039
6/1/13	21,039		21,039
9/1/13	21,039		21,039
12/1/13	21,039		21,039
3/1/14	21,039		21,039
6/1/14	21,039		21,039
9/1/14	21,039		21,039
12/1/14	21,039		21,039
3/1/15	21,039		21,039
6/1/15	21,039		21,039
9/1/15	21,039		21,039
12/1/15	21,039		21,039
3/1/16	21,039		21,039
6/1/16	21,039		21,039
9/1/16	21,039		21,039
12/1/16	21,039		21,039
3/1/17	21,039		21,039
6/1/17	21,039		21,039
9/1/17	21,039		21,039
12/1/17	21,039		21,039
3/1/18	21,039		21,039
6/1/18	21,039		21,039
9/1/18	21,039		21,039
12/1/18	21,039		21,039
3/1/19	21,039		21,039
6/1/19	21,039		21,039
9/1/19	21,039		21,039
12/1/19	21,039		21,039
3/1/20	21,039		21,039
6/1/20	21,039		21,039
9/1/20	21,039		21,039
12/1/20	21,039		21,039
3/1/21	21,039		21,039
6/1/21	21,039		21,039
9/1/21	21,039		21,039
12/1/21	21,039		21,039
3/1/22	21,039		21,039
6/1/22	21,039		21,039
9/1/22	21,039		21,039
12/1/22	21,039		21,039
3/1/23	21,039		21,039
6/1/23	21,039		21,039

<b>BOND DEBT SERVICE</b>			
<b>Frankfort PSD</b>			
<b>IF</b>			
<b>0% Interest Rate</b>			
<b>40 Years from Closing Date</b>			
<b>Period</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
<b>Ending</b>			
9/1/23	21,039		21,039
12/1/23	21,039		21,039
3/1/24	21,039		21,039
6/1/24	21,039		21,039
9/1/24	21,039		21,039
12/1/24	21,039		21,039
3/1/25	21,039		21,039
6/1/25	21,039		21,039
9/1/25	21,039		21,039
12/1/25	21,039		21,039
3/1/26	21,039		21,039
6/1/26	21,039		21,039
9/1/26	21,039		21,039
12/1/26	21,039		21,039
3/1/27	21,039		21,039
6/1/27	21,039		21,039
9/1/27	21,039		21,039
12/1/27	21,039		21,039
3/1/28	21,039		21,039
6/1/28	21,039		21,039
9/1/28	21,039		21,039
12/1/28	21,039		21,039
3/1/29	21,039		21,039
6/1/29	21,039		21,039
9/1/29	21,039		21,039
12/1/29	21,039		21,039
3/1/30	21,039		21,039
6/1/30	21,039		21,039
9/1/30	21,039		21,039
12/1/30	21,039		21,039
3/1/31	21,039		21,039
6/1/31	21,039		21,039
9/1/31	21,039		21,039
12/1/31	21,039		21,039
3/1/32	21,039		21,039
6/1/32	21,039		21,039
9/1/32	21,039		21,039
12/1/32	21,039		21,039
3/1/33	21,039		21,039
6/1/33	21,039		21,039
9/1/33	21,039		21,039
12/1/33	21,039		21,039
3/1/34	21,039		21,039
6/1/34	21,039		21,039
9/1/34	21,039		21,039
12/1/34	21,039		21,039
3/1/35	21,039		21,039
6/1/35	21,039		21,039

<b>BOND DEBT SERVICE</b>			
Frankfort PSD			
IF			
0% Interest Rate			
40 Years from Closing Date			
<b>Period</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt</b>
<b>Ending</b>			<b>Service</b>
9/1/35	21,039		21,039
12/1/35	21,039		21,039
3/1/36	21,039		21,039
6/1/36	21,039		21,039
9/1/36	21,039		21,039
12/1/36	21,039		21,039
3/1/37	21,039		21,039
6/1/37	21,039		21,039
9/1/37	21,039		21,039
12/1/37	21,039		21,039
3/1/38	21,039		21,039
6/1/38	21,039		21,039
9/1/38	21,039		21,039
12/1/38	21,039		21,039
3/1/39	21,039		21,039
6/1/39	21,039		21,039
9/1/39	21,039		21,039
12/1/39	21,039		21,039
3/1/40	21,039		21,039
6/1/40	21,039		21,039
9/1/40	21,039		21,039
12/1/40	21,039		21,039
3/1/41	21,039		21,039
6/1/41	21,039		21,039
9/1/41	21,039		21,039
12/1/41	21,039		21,039
3/1/42	21,039		21,039
6/1/42	21,039		21,039
9/1/42	21,039		21,039
12/1/42	21,039		21,039
3/1/43	21,039		21,039
6/1/43	21,039		21,039
9/1/43	21,039		21,039
12/1/43	21,039		21,039
3/1/44	21,039		21,039
6/1/44	21,039		21,039
9/1/44	21,039		21,039
12/1/44	21,039		21,039
3/1/45	21,039		21,039
6/1/45	21,039		21,039
9/1/45	21,039		21,039
12/1/45	21,039		21,039
3/1/46	21,039		21,039
6/1/46	21,039		21,039
9/1/46	21,039		21,039
12/1/46	21,039		21,039
3/1/47	21,039		21,039
6/1/47	21,039		21,039

**BOND DEBT SERVICE**

Frankfort PSD

IF

0% Interest Rate

40 Years from Closing Date

<b>Period Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
9/1/47	21,039		21,039
12/1/47	21,039		21,039
3/1/48	21,039		21,039
6/1/48	21,039		21,039
9/1/48	21,039		21,039
12/1/48	21,039		21,039
3/1/49	21,039		21,039
6/1/49	21,038		21,038
9/1/49	21,038		21,038
12/1/49	21,038		21,038
3/1/50	21,038		21,038
6/1/50	21,038		21,038
9/1/50	21,038		21,038
12/1/50	21,039		21,039
	<b>3,240,000</b>		<b>3,240,000</b>

## SCHEDULE Z

### Special Conditions

The following covenants and conditions must be included in the resolutions adopted by the Governmental Agency authorizing the Local Bonds:

(a) The Governmental Agency shall only submit invoices under Contract 4 for items directly related to the Project;

(b) The Governmental Agency shall submit invoices for costs related to the Water Treatment facility only after the Council has approved a change order for the Water Treatment facility and has received a final title opinion with respect to the Water Treatment facility site; and

(c) The Governmental Agency shall submit invoices for costs related to the Cumberland Airport and Swan Pond extensions only after the Council has approved change orders for the extensions and received final title opinions with respect to the extension areas.

**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

**FINAL**

2/18/2010

Entered: January 29, 2010

CASE NO. 09-0680-PWD-CN

**FRANKFORT PUBLIC SERVICE DISTRICT**

a public utility,

Wiley Ford, Mineral County

Application for a certificate of convenience and necessity to renovate, replace and expand a water distribution system to serve the community of Wiley Ford in Mineral County.

**RECOMMENDED DECISION**

On May 1, 2009, Frankfort Public Service District (Applicant or District), Wiley Ford, Mineral County, West Virginia, filed with the West Virginia Public Service Commission (Commission) an application for a certificate of convenience and necessity to construct certain renovations, extensions and replacement of existing distribution lines for 400 existing customers. The Applicant reported that the project will also provide service to seventy (70) new customers currently unable to receive water service. The proposed project also includes the development of a groundwater supply consisting of a well or wells and treatment to supplement or replace treated water currently purchased from the City of Cumberland, Maryland. The Applicant advised that the proposed project will improve service to existing customers, including expanded fire protection and would cost an estimated \$5,100,000. The project financing includes a loan of \$3,240,000 from the West Virginia Infrastructure and Jobs Development Council (WV IJDC); a grant of \$360,000 from the WV IJDC; and a Small Cities Block Grant of \$1,500,000. The Applicant reported that the project will not require an increase in the District's current water rates.

By Commission Order entered on May 13, 2009, this case was referred to the Division of Administrative Law Judges for a decision to be rendered on or before September 14, 2009, if no substantial protests were filed with the Public Service Commission. If substantial public protests

were received by the Public Service Commission during the thirty (30) day public protest period, the Division of Administrative Law Judge's decision would be required on or before October 13, 2009.

On May 15, 2009, Staff Attorney Chris Howard of the Commission's Legal Division filed the Initial Joint Staff Memorandum along with the Initial Staff Internal Memorandum, prepared by Utilities Analyst Troy Eggleton of the Commission's Water and Wastewater Division and Technical Analyst Sylvie Steranka of the Commission's Engineering Division. Staff reported that the information filed by the Applicant was inadequate and unacceptable. The Applicant only filed Form Nos. 4, 12 and 14. Technical Staff outlined all the information required by the Commission's checklist, found at Rule 26.1 of the Commission's *Rules of Practice and Procedure*. Staff advised that it could not review this certificate application without the required information. Staff indicated that, unless the required information was received by the Commission within ten (10) days of the filing of its memorandum, it might have no alternative other than to recommend dismissal. Staff recommended that the case be referred to the Division of Administrative Law Judges for resolution.

On May 29, 2009, the Applicant filed additional information in response to Staff's Initial Joint Staff Memorandum. The Applicant filed, among other documents, a Rule 42 Exhibit, funding commitment letters, and an affidavit of publication regarding publication of the Notice of Filing for the project. The affidavit of publication showed that the Notice of Filing was published on May 11, 2009, in the *News-Tribune*, a newspaper published daily at Keyser, Mineral County, West Virginia.

Also on May 29, 2009, the Applicant filed additional engineering information and documentation.

On July 14, 2009, Staff Attorney Howard filed the Further Initial Joint Staff Memorandum, along with a Further Staff Initial Memorandum, prepared by Mr. Eggleton and Ms. Steranka. Staff reported that, after reviewing the information filed by the Applicant on May 29, 2009, it was still unable to prepare a substantive recommendation regarding the certificate application because some of the information requested by Staff was not filed; some of the information was incomplete; and some of the information showed inconsistencies between documents. Staff set forth a list of specific additional information that was needed from the Applicant before a final recommendation could be prepared by Staff. Staff requested that the Applicant file the additional information on or before July 20, 2009. Staff again emphasized that, unless the Applicant filed the additional documents by the date specified by Staff, Staff might be forced to recommend dismissal. Staff also suggested that, if the Applicant was unable to comply with Staff's request, it could possibly request a tolling of the statutory deadline, an extension of the Administrative Law Judge's due date and an extension of Staff's final memorandum due date.

On July 14, 2009, Staff Attorney Howard filed Staff's interrogatories and data requests. Staff requested that the Applicant file responses to the data requests and interrogatories within ten (10) days following service upon it of Staff's requests.

On July 22, 2009, the Applicant filed a request with the Commission that the statutory deadline in this matter be tolled for a period of thirty (30) days, and that the due date for the filing of Staff's final recommendation and the due date for the Administrative Law Judge's Recommended Decision be extended by that same number of days.

By Commission Order issued on July 29, 2009, the statutory deadline for this case was tolled for a period of thirty (30) days until November 25, 2009; the final staff report due date was extended until August 31, 2009; and the Administrative Law Judge's decision due date was extended until October 14, 2009.

On August 19, 2009, the Applicant filed additional information and documentation in response to Staff's data requests and interrogatories.

On August 27, 2009, the Applicant filed a request with the Commission that the statutory deadline in this matter be tolled for a period of forty-five (45) days; that the final staff report due date be extended; and that the decision due date for the Administrative Law Judge be extended to allow time to submit information requested by Staff.

By Commission Order issued on August 31, 2009, the statutory deadline for this case was tolled for a period of forty-five (45) days; the final staff report due date was extended until October 15, 2009; and the decision due date was extended until November 30, 2009.

On October 8, 2009, the Applicant filed additional information in response to Staff's data requests and interrogatories.

On October 13, 2009, the Applicant requested that the statutory deadline in this case again be extended. The Applicant requested that the extension be for a period of sixty (60) days and that the due date for Staff's final report and the decision due date also be extended by sixty (60) days.

By Commission Order issued on October 20, 2009, the statutory deadline in this matter was tolled for sixty (60) days until March 10, 2010. The order also extended the due date for the Staff's final report until December 14, 2009, and the decision due date was also extended until January 29, 2010.

On December 10, 2009, the Applicant filed additional information.

On December 14, 2009, Staff Attorney Howard filed the Final Joint Staff Memorandum along with the Utilities and Engineering Divisions' Final Memorandum, prepared by Mr. Eggleton and Ms. Steranka. The Engineering Division specifically recommended that the Applicant take the steps necessary for the following actions:

1. Establishment of policies regarding the installation of pressure regulators;
  2. Notification of high main line pressure to all affected customers;
  3. Development of a cross-connection policy per the State Health Department Regulations;
  4. Submission of signed user agreements for at least 80% of the proposed new customers;
  5. Submission of results of well testing;
  6. Submission of contract documents and engineering specifications and drawings related to the development of the well field (if applicable);
  7. Upgrade of the Sherwood Acres pump station if the well field is not developed;
  8. Filing of low pressure agreement for all potentially affected customers desiring service;
- and
9. Submission of any agreement with the City of Cumberland if an emergency connection will be maintained.

Staff also recommended that:

1. The Commission grant the District's application for a certificate of convenience and necessity to renovate, replace and expand a water distribution system to serve the community of Wiley Ford in Mineral County, West Virginia, having an estimated construction cost of \$5,100,000;
2. The Commission approve the proposed funding for the project, as outlined in the final Staff memorandum;
3. The Commission approve of the Staff-recommended rates and charges, set forth on Attachment 2 of the final Staff memorandum, for all service rendered by the District after the date it files the certificate of substantial completion of the project;
4. If there are any changes in the plans or scope of the project, the District must seek Commission approval of such changes. Further, Staff recommended that, if there are changes in the rates to be charged associated with this project, the District must also seek Commission approval of such changes. Finally, provided that project-related rates remain unchanged, it is not necessary for the District to seek further Commission approval of changes in project costs or financing. However, under such circumstances Staff recommended that the District be required to file an affidavit executed by its certified public accountant verifying that its rates and charges are not affected;

5. The District be ordered to submit all documents associated with recommendations 1 through 9 described in the Engineering Section of the Utilities and Engineering Divisions' Final Memorandum;

6. The District be required to file with the Commission copies of all outstanding regulatory permits and approvals required by the construction anticipated in this project;

7. The District provide a copy of the engineer's certified tabulation of bids for all construction contracts associated with this project;

8. The District submit copies of the certificate of substantial completion upon completion of construction; and

9. If there are substantive changes in the project scope or in significant design aspects of the project, the District shall petition the Commission for approval of the changes prior to proceeding.

### DISCUSSION

Commission Staff recommended approval of Frankfort Public Service District's certificate application and that recommendation, along with several additional recommendations, as set forth in its final substantive recommendation. The Staff memoranda were mailed to the Frankfort Public Service District by United States First Class Mail on December 14, 2009. In a cover letter which accompanied the Staff memoranda, the District was advised that, "If you wish to respond to the enclosed Staff memorandum, you may do so in writing, within 10 days, unless directed otherwise, of this date." Also, the cover letter advised that, "Your failure to respond in writing to the utility's answer, Staff's recommendations, or other documents may result in a decision in your case based on your original filing and the other documents in the case file, without further hearing or notice." Since the record in this case demonstrates that the District did not file an objection or response to the recommendations of Commission Staff within ten (10) days, it is reasonable to assume that the Applicant, Frankfort Public Service District, does not object to Staff's recommendations, particularly since Commission Staff recommended that the Commission grant the District's certificate application.

Furthermore, the record demonstrates that the Notice of Filing, issued by the Commission on May 1, 2009, was properly published as a Class I legal notice, as directed in the Commission's May 1, 2009 Order. The Notice of Filing required that public protests or requests for intervention regarding the certificate application filed by Frankfort Public Service District be filed with the Public Service Commission within thirty (30) days of the date of publication of the Notice of Filing. The District later filed an affidavit of publication demonstrating that publication of the Notice of Filing occurred on May 11, 2009, in the *News-Tribune*, a daily newspaper published at Keyser, Mineral County, West Virginia. Since the record also reflects that no public protests and no requests to intervene were filed in this matter during the thirty (30) day public protest period or as of the date of this Recommended Decision, it is reasonable to conclude that the public does not object to the

issuance of a certificate of convenience and necessity for the District to construct the water system improvements, additions and extension described in its certificate application.

Also, since the application indicated that the project would not increase rates, the District has not strictly complied with the notice requirement of Rule 10.3.d. of the Commission's *Rules of Practice and Procedure*. However, the Commission often changes the leak adjustment without notice, and the only other changes in the District's tariff were to correct errors in the minimum rate schedule. It is reasonable to hold that the Staff-recommended tariff be approved without any notice requirement.

### FINDINGS OF FACT

1. On May 1, 2009, Frankfort Public Service District filed an application with the Public Service Commission for a certificate of convenience and necessity to construct an extension, additions and improvements to its existing water distribution system and to provide service to approximately 400 existing customers and approximately 80 new customers located at Wiley Ford, Mineral County, West Virginia. The proposed project includes the development of a well field; the installation of a 300,000-gallon water storage tank; installation of approximately 55,300 linear feet of new water lines; and installation of fire hydrants. (See, May 1, 2009 filing).

2. Frankfort Public Service District published the Notice of Filing on May 11, 2009, as a Class I legal advertisement, in the *News-Tribune*, a newspaper of general circulation, published in the Municipality of Keyser, Mineral County, West Virginia. (See, affidavit of publication filed May 29, 2009).

3. The total estimated project cost is \$5,100,000, to be funded through a \$3,240,000 zero percent loan from the West Virginia Infrastructure and Jobs Development Council; a \$360,000 grant from the West Virginia Infrastructure and Jobs Development Council; and a Small Cities Block Grant of \$1,500,000. (See, application and funding letters filed May 11, 2009, and May 29, 2009).

4. Frankfort Public Service District currently purchases water for the customers located in Wiley Ford, Mineral County, West Virginia, from the City of Cumberland, Maryland. (See, August 19, 2009 filing and Final Joint Staff Memorandum and Utilities and Engineering Divisions' Final Memorandum filed December 14, 2009).

5. Frankfort Public Service District currently owns a water treatment facility which is located at Fort Ashby in Mineral County, West Virginia. The District proposes to provide water for its customers located at Wiley Ford, West Virginia, from its water treatment facility at Fort Ashby, West Virginia. The purchase cost of water from the City of Cumberland, Maryland, is somewhat more than twice the cost of production and treatment from the District's Fort Ashby water treatment plant. (See, Final Joint Staff Memorandum and Utilities and Engineering Divisions' Final Memorandum, filed December 14, 2009).

6. The water rates charged by the City of Cumberland, Maryland, are not under the control of the West Virginia Public Service Commission and are subject to changes and increases at any time. (See, Final Joint Staff Memorandum and Utilities and Engineering Divisions' Final Memorandum, filed December 14, 2009).

7. This proposed project includes replacement of small and heavily corroded lines in Wiley Ford, West Virginia, and installation of fire hydrants. Currently only one fire hydrant serves the Wiley Ford area. (See, Final Joint Staff Memorandum and Utilities and Engineering Divisions' Final Memorandum, filed December 14, 2009).

8. The District's annual Operation and Maintenance expenses are projected to decrease by approximately \$52,985 because the increased operation and maintenance expenses associated with this project will be offset by the savings associated with the discontinuance of purchasing water from the City of Cumberland, Maryland. (See, Final Joint Staff Memorandum and Utilities and Engineering Divisions' Final Memorandum, filed December 14, 2009).

9. The District's rates currently applicable to its Wiley Ford customers, which have been in effect since July 25, 2007, will generate a level of revenue sufficient to offset the various costs and expenses associated with construction, debt service and operation and maintenance of the District's system, including the water system additions and improvements proposed by Frankfort Public Service District in this certificate application. (See, Final Joint Staff Memorandum and Utilities and Engineering Divisions' Final Memorandum, filed December 14, 2009).

10. Annual revenues are projected to increase by \$34,305 as a result of connection of the eighty (80) new customers. (See, Final Joint Staff Memorandum and Utilities and Engineering Divisions' Final Memorandum, filed December 14, 2009).

11. The District's current rates will generate a total pro forma cash surplus of \$35,962 and a debt service coverage ratio of 130.04%. (See, Final Joint Staff Memorandum and attached Cash Flow Analysis, filed December 14, 2009).

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

13. The District did not object to Staff's final substantive recommendations. (See, case file generally).

#### CONCLUSIONS OF LAW

1. The public convenience and necessity require the project.

2. It is reasonable to grant Frankfort Public Service District's application for a certificate of public convenience and necessity to construct the additions, improvements and extensions of its existing water treatment and distribution system, which will serve approximately 400 existing customers and approximately 80 new customers in the area of Wiley Ford, Mineral County, West Virginia.

3. It is reasonable to approve the proposed financing for the project, including a \$3,240,000 zero percent interest loan from the West Virginia Infrastructure and Jobs Development Council; a \$360,000 grant from the West Virginia Infrastructure and Jobs Development Council; and a Small Cities Block Grant in the amount of \$1,500,000.

4. The District's rates currently applicable to its Wiley Ford customers, which were approved in Case No. 07-0222-W-30B, and became effective for all service rendered after July 25, 2007, are sufficient, but not more than sufficient, to cover the District's operation and maintenance expenses, taxes, debt service requirements and capital additions, including those cost increases associated with or generated by the project certificated herein, and provide a 130.04% debt service coverage ratio and a cash surplus of \$35,962.

5. It is reasonable to approve the Staff-recommended tariff changes since the actual rates to be charged have not been changed, i.e., only the leak adjustment has been modified and the minimum rates in the existing tariff have been corrected.

### ORDER

**IT IS, THEREFORE, ORDERED** that the application filed herein on May 1, 2009, by Frankfort Public Service District, for a certificate of convenience and necessity to renovate, replace and expand the existing water distribution system to serve approximately 400 existing customers and approximately 80 new customers in the community of Wiley Ford, Mineral County, West Virginia, be, and hereby is, granted,

**IT IS FURTHER ORDERED** that the proposed financing for the project, consisting of a \$3,240,000 loan from the West Virginia Infrastructure and Jobs Development Council, at an annual interest rate of 0%; a \$360,000 grant from the West Virginia Infrastructure and Jobs Development Council; and a Small Cities Block Grant in the amount of \$1,500,000, be, and hereby is, approved.

**IT IS FURTHER ORDERED** that the Staff-recommended water rates and charges, more particularly set forth in Appendix A, attached hereto, be, and hereby are, approved, for public water service rendered by the Frankfort Public Service District, upon substantial completion of the water system construction project detailed herein.

**IT IS FURTHER ORDERED** that Frankfort Public Service District file an original and at least five (5) copies of a proper tariff reflecting the rates and charges approved herein within thirty (30) days of the date that this Order becomes final.

**IT IS FURTHER ORDERED** that Frankfort Public Service District submit a copy of the certificate of substantial completion, issued by its professional engineer, for each construction contract associated with the water system construction project detailed herein, as soon as the engineer certifies that the project is substantially complete.

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

**IT IS FURTHER ORDERED** that, if any change in project cost does not affect rates, Frankfort Public Service District shall not be required to obtain Public Service Commission approval of such change. However, in such case, Frankfort Public Service District shall file an affidavit with the Public Service Commission, duly executed by a certified public accountant, verifying that the rates are not affected.

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

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

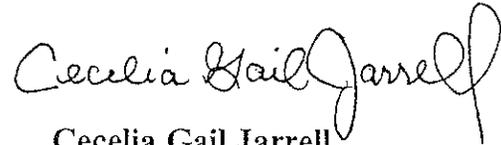
**IT IS FURTHER ORDERED** that the Executive Secretary of the Commission serve a copy of this Recommended Decision upon all parties of record by United States Certified Mail, return receipt requested, and upon the Commission by hand delivery.

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

If no exceptions are filed, this Recommended Decision shall become the order of the Commission, without further action, five (5) days following the expiration of the fifteen (15) day time period, unless it is ordered stayed 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 the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



**Cecelia Gail Jarrell**  
**Administrative Law Judge**

CGJ:s:cdk  
090680a.wpd

FRANKFORT PUBLIC SERVICE DISTRICT  
CASE NO. 09-0680-PWD-CN

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale 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 bill will be rendered for less than \$14.53 per month according to meter size.

5/8-inch meter	\$ 14.53 per month
3/4-inch meter	\$ 21.80 per month
1 -inch meter	\$ 36.33 per month
1-1/2-inch meter	\$ 72.65 per month
2 -inch meter	\$ 116.24 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.

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 \$100.00 to cover the cost of meter installed.

LEAK ADJUSTMENT

\$1.65 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate 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 up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

Affidavit of filing

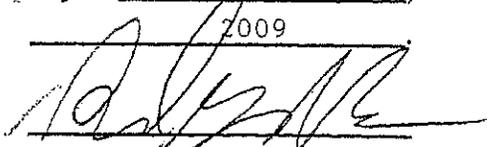
I, as an officer of the News-Tribune, a daily newspaper published at Keyser, Mineral County, West Virginia, hereby certify that the Public Service Commission

in the case of Frankfort Public Service District  
Case No. 09-0680-PWD-CN  
vs. \_\_\_\_\_

a copy whereof is hereto annexed has been published for \_\_\_\_\_ consecutive day

in said NEWS TRIBUNE, the first publication being on the \_\_\_\_\_ 11th day of, \_\_\_\_\_ May \_\_\_\_\_ 2009.

Given under my hand at Keyser this \_\_\_\_\_ 11th day of \_\_\_\_\_ May \_\_\_\_\_ 2009.

  
\_\_\_\_\_  
Publisher

Publisher's Fee

\$ 104.59

130 Legal Notices

130 Legal Notices

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered by the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 1st day of May 2009.  
CASE NO. 09-0680-PWD-CN  
FRANKFORT PUBLIC SERVICE DISTRICT  
Wiley Ford, Mineral County, WV  
Application for a certificate of convenience and necessity to renovate, replace and expand a water distribution system to serve the community of Wiley Ford in Mineral County.

NOTICE OF FILING

On May 1, 2009, the Frankfort Public Service District ("District") filed an application, duly verified for a Certificate to construct a water system to serve the community of Wiley Ford in northern Mineral County. The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia. The District estimates that construction will cost approximately \$5,100,000. It is proposed that the construction will be financed as follows: WVJDC Loan of \$3,240,000; WVJDC Grant of \$360,000; and a Small Cities Block Grant of \$1,500,000. The utility will continue to charge the existing water rates for service to its customers as follows:

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 shall be rendered for less than \$14.53 per month	
5/8 inch	\$ 14.53
3/4 inch	\$ 20.99
1 inch	\$ 33.79
1 1/2 inch	\$ 66.69
2 inch	\$ 104.44

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.

Administrative Fees

An administrative fee of \$25.00 will be charged to any customer who chooses to make payment of delinquent water bills at their premises in lieu of discontinuing service. Such fee shall be in addition to all other amounts owed the utility.

Reconnection

\$35.00 fee to be charged to reestablish service once the supply of water is turned off by the utility.

Connection Charge

After construction passes the premises to be served, charge for connection to system: \$500.00.

These rates will apply to all customer types, including residential, commercial and industrial. These rates do not represent an increase to customer usage rates.

The requested rates and charges are only a proposal and are subject to change (increase or decrease) by the Public Service Commission in its review of this filing.

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

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

FOR THE COMMISSION:

SANDRA SQUIRE  
Executive Secretary

# West Virginia Infrastructure & Jobs Development Council

Public Members:  
Kenneth Lowe, Jr.  
Shepherdstown  
Dwight Calhoun  
Petersburg  
Dave McComas  
Prichard  
Ron Justice  
Morgantown

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

July 17, 2008

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

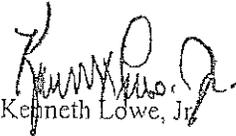
Re: Frankfort Public Service District  
Water Project 2006W-923b

Dear Mr. Murray:

The West Virginia Infrastructure and Jobs Development Council, at its July 9, 2008 meeting, determined that the Frankfort Public Service District (the "District") should utilize a \$1,500,000 Small Cities Block Grant and voted to offer a binding commitment for an Infrastructure Fund loan of \$2,700,000 (0%, 40 years) and a \$360,000 Infrastructure Fund grant to finance this \$4,560,000 project. This project consists of upgrading the water system, constructing water wells and connecting to the existing water system.

In order to receive the proposed binding commitment the District must adhere to a certain project schedule. Please contact Jeff Brady at 558-4607 by August 29, 2008 to establish the necessary schedule and finalize the proposed binding commitment.

Sincerely,

  
Kenneth Lowe, Jr.

cc: Bob DeCrease, BPH  
Debbie Legg, WVDO  
Region VIII Planning & Development Council  
David Vanscoy, Rummel, Klepper & Kahl, LLP



**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

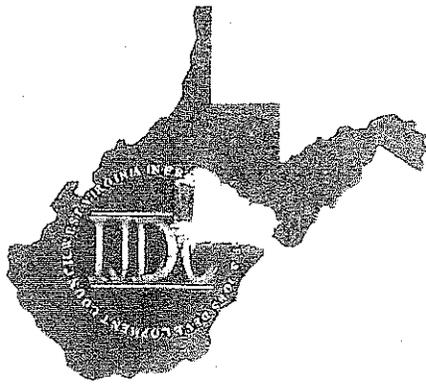
Should you have any questions please contact me.

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)

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W VA PUBLIC SERVICE  
COMMISSION  
SECRETARY'S OFFICE



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

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 A  
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On this 22nd day of December, 2010, 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 2010 A (West Virginia Infrastructure Fund), of the Issuer, in the principal amount of \$3,240,000, numbered AR-1 (the "Series 2010 A Bonds"), issued as a single, fully registered Bond, and dated December 22, 2010.
2. At the time of such receipt, all the Series 2010 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 2010 A Bonds, of \$383,851.63, being a portion of the principal amount of the Series 2010 A Bonds. The balance of the principal amount of the Series 2010 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.

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Dated as of the day and year first written above.

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

By:   
Its: Authorized Representative

FRANKFORT PUBLIC SERVICE DISTRICT

By:   
Its: Chairman

12.07.10  
306370.00005

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 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 22nd day of December, 2010, 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 2010 A (West Virginia Infrastructure Fund), in the principal amount of \$3,240,000 (the "Series 2010 A Bonds"), dated December 22, 2010 (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 December 13, 2010, and a Supplemental Resolution duly adopted by the Issuer on December 13, 2010 (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 2010 A Bonds, dated December 22, 2010, 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 2010 A Bonds to the Authority upon payment to the Issuer of the sum of \$383,851.63, representing a portion of the principal amount of the Series 2010 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

12.07.10  
306370.00005

SPECIMEN

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
FRANKFORT PUBLIC SERVICE DISTRICT  
WATER REVENUE BOND, SERIES 2010 A  
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$3,240,000

KNOW ALL MEN BY THESE PRESENTS: This 22nd day of December, 2010, 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 THREE MILLION TWO HUNDRED FORTY THOUSAND DOLLARS (\$3,240,000), 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 September 1, 2012 to and including December 1, 2050, 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 December 22, 2010.

This Bond is issued (i) to pay a portion of the costs of the acquisition and construction of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"), and (ii) to pay certain costs of issuance and related costs. 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 December 13, 2010, and a Supplemental Resolution duly adopted by the Issuer on December 13, 2010 (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 (I) WATER REVENUE BONDS, SERIES 1976 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 16, 1976, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$223,000 (THE "SERIES 1976 BONDS"), (II) 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"), (III) WATER REVENUE BONDS, SERIES 1993 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED DECEMBER 2, 1993, ORIGINALLY ISSUED TO FORT ASHBY PUBLIC SERVICE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF 1,325,000 (THE "SERIES 1993 A BONDS"), (IV) WATER REVENUE BONDS, SERIES 1993 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED DECEMBER 2, 1993, ORIGINALLY ISSUED TO THE FORT ASHBY PUBLIC SERVICE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF \$198,000 (THE "SERIES 1993 B BONDS"), (V) WATER REVENUE BONDS, SERIES 1979 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JANUARY 4, 1980, ORIGINALLY ISSUED TO THE FORT ASHBY PUBLIC SERVICE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF \$301,000 (THE "SERIES 1979 BONDS") AND (VI) WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED MAY 6, 2008, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$400,000 (THE "SERIES 2008 A 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 2010 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 2010 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 2010 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

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 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: December 22, 2010

THE HUNTINGTON NATIONAL BANK,  
as Registrar

  
Authorized Officer

**SPECIMEN**

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$383,851.63	12.22.2010	(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

**BOND DEBT SERVICE**  
**Frankfort PSD**  
**IF**  
**0% Interest Rate**  
**40 Years from Closing Date**

Dated Date 12/22/2010  
 Delivery  
 Date 12/22/2010

Period Ending	Principal	Interest	Debt Service
9/1/2012	21,039		21,039
12/1/2012	21,039		21,039
3/1/2013	21,039		21,039
6/1/2013	21,039		21,039
9/1/2013	21,039		21,039
12/1/2013	21,039		21,039
3/1/2014	21,039		21,039
6/1/2014	21,039		21,039
9/1/2014	21,039		21,039
12/1/2014	21,039		21,039
3/1/2015	21,039		21,039
6/1/2015	21,039		21,039
9/1/2015	21,039		21,039
12/1/2015	21,039		21,039
3/1/2016	21,039		21,039
6/1/2016	21,039		21,039
9/1/2016	21,039		21,039
12/1/2016	21,039		21,039
3/1/2017	21,039		21,039
6/1/2017	21,039		21,039
9/1/2017	21,039		21,039
12/1/2017	21,039		21,039
3/1/2018	21,039		21,039
6/1/2018	21,039		21,039
9/1/2018	21,039		21,039
12/1/2018	21,039		21,039
3/1/2019	21,039		21,039
6/1/2019	21,039		21,039
9/1/2019	21,039		21,039
12/1/2019	21,039		21,039
3/1/2020	21,039		21,039
6/1/2020	21,039		21,039
9/1/2020	21,039		21,039
12/1/2020	21,039		21,039
3/1/2021	21,039		21,039
6/1/2021	21,039		21,039
9/1/2021	21,039		21,039
12/1/2021	21,039		21,039
3/1/2022	21,039		21,039
6/1/2022	21,039		21,039
9/1/2022	21,039		21,039
12/1/2022	21,039		21,039
3/1/2023	21,039		21,039
6/1/2023	21,039		21,039

**BOND DEBT SERVICE**  
 Frankfort PSD  
 IF  
 0% Interest Rate  
 40 Years from Closing Date

Period Ending	Principal	Interest	Debt Service
9/1/2023	21,039		21,039
12/1/2023	21,039		21,039
3/1/2024	21,039		21,039
6/1/2024	21,039		21,039
9/1/2024	21,039		21,039
12/1/2024	21,039		21,039
3/1/2025	21,039		21,039
6/1/2025	21,039		21,039
9/1/2025	21,039		21,039
12/1/2025	21,039		21,039
3/1/2026	21,039		21,039
6/1/2026	21,039		21,039
9/1/2026	21,039		21,039
12/1/2026	21,039		21,039
3/1/2027	21,039		21,039
6/1/2027	21,039		21,039
9/1/2027	21,039		21,039
12/1/2027	21,039		21,039
3/1/2028	21,039		21,039
6/1/2028	21,039		21,039
9/1/2028	21,039		21,039
12/1/2028	21,039		21,039
3/1/2029	21,039		21,039
6/1/2029	21,039		21,039
9/1/2029	21,039		21,039
12/1/2029	21,039		21,039
3/1/2030	21,039		21,039
6/1/2030	21,039		21,039
9/1/2030	21,039		21,039
12/1/2030	21,039		21,039
3/1/2031	21,039		21,039
6/1/2031	21,039		21,039
9/1/2031	21,039		21,039
12/1/2031	21,039		21,039
3/1/2032	21,039		21,039
6/1/2032	21,039		21,039
9/1/2032	21,039		21,039
12/1/2032	21,039		21,039
3/1/2033	21,039		21,039
6/1/2033	21,039		21,039
9/1/2033	21,039		21,039
12/1/2033	21,039		21,039
3/1/2034	21,039		21,039
6/1/2034	21,039		21,039
9/1/2034	21,039		21,039
12/1/2034	21,039		21,039
3/1/2035	21,039		21,039
6/1/2035	21,039		21,039

**BOND DEBT SERVICE**  
 Frankfort PSD  
 IF  
 0% Interest Rate  
 40 Years from Closing Date

Period Ending	Principal	Interest	Debt Service
9/1/2035	21,039		21,039
12/1/2035	21,039		21,039
3/1/2036	21,039		21,039
6/1/2036	21,039		21,039
9/1/2036	21,039		21,039
12/1/2036	21,039		21,039
3/1/2037	21,039		21,039
6/1/2037	21,039		21,039
9/1/2037	21,039		21,039
12/1/2037	21,039		21,039
3/1/2038	21,039		21,039
6/1/2038	21,039		21,039
9/1/2038	21,039		21,039
12/1/2038	21,039		21,039
3/1/2039	21,039		21,039
6/1/2039	21,039		21,039
9/1/2039	21,039		21,039
12/1/2039	21,039		21,039
3/1/2040	21,039		21,039
6/1/2040	21,039		21,039
9/1/2040	21,039		21,039
12/1/2040	21,039		21,039
3/1/2041	21,039		21,039
6/1/2041	21,039		21,039
9/1/2041	21,039		21,039
12/1/2041	21,039		21,039
3/1/2042	21,039		21,039
6/1/2042	21,039		21,039
9/1/2042	21,039		21,039
12/1/2042	21,039		21,039
3/1/2043	21,039		21,039
6/1/2043	21,039		21,039
9/1/2043	21,039		21,039
12/1/2043	21,039		21,039
3/1/2044	21,039		21,039
6/1/2044	21,039		21,039
9/1/2044	21,039		21,039
12/1/2044	21,039		21,039
3/1/2045	21,039		21,039
6/1/2045	21,039		21,039
9/1/2045	21,039		21,039
12/1/2045	21,039		21,039
3/1/2046	21,039		21,039
6/1/2046	21,039		21,039
9/1/2046	21,039		21,039
12/1/2046	21,039		21,039
3/1/2047	21,039		21,039
6/1/2047	21,039		21,039

Frankfort PSD  
 IF  
 0% Interest Rate  
 40 Years from Closing Date

Period Ending	Principal	Interest	Debt Service
9/1/2047	21,039		21,039
12/1/2047	21,039		21,039
3/1/2048	21,039		21,039
6/1/2048	21,039		21,039
9/1/2048	21,039		21,039
12/1/2048	21,039		21,039
3/1/2049	21,039		21,039
6/1/2049	21,038		21,038
9/1/2049	21,038		21,038
12/1/2049	21,038		21,038
3/1/2050	21,038		21,038
6/1/2050	21,038		21,038
9/1/2050	21,038		21,038
12/1/2050	21,039		21,039
	<b>3,240,000</b>		<b>3,240,000</b>

(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: \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
In the presence of:  
  
\_\_\_\_\_



Chase Tower, Eighth Floor  
P.O. Box 1588  
Charleston, WV 25326-1588  
(304) 353-8000 (304) 353-8180 Fax  
www.steptoe-johnson.com

Writer's Contact Information

December 22, 2010

Frankfort Public Service District  
Water Revenue Bonds, Series 2010 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 \$3,240,000 Water Revenue Bonds, Series 2010 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 December 22, 2010, 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 September 1, 2012, to and including December 1, 2050, 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 December 13, 2010, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 13, 2010 (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 \$223,000, (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, (c) Water Revenue Bonds, Series 1993 A (United States Department of Agriculture), dated December 2, 1993, originally issued to Fort Ashby Public Service District in the aggregate principal amount of \$1,325,000, (d) Water Revenue Bonds, Series 1993 B (United States Department of Agriculture), dated December 2, 1993, originally issued to the fort Ashby Public Service District in the aggregate principal amount of \$198,000, (e) Water Revenue Bonds, Series 1979 (United States Department of Agriculture), dated January 4, 1980, originally issued to the Fort Ashby Public Service District in the aggregate principal amount of \$301,000 and (f) Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the original aggregate principal amount of \$400,000 (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

12.07.10  
306370.00005

**JOHN D. ATHEY**  
ATTORNEY AT LAW  
ATHEY LAW BUILDING, SUITE 2  
149 ARMSTRONG STREET  
KEYSER, WEST VIRGINIA 26726  
  
PHONE 304-788-9292  
FACSIMILE 304-788-6041

December 22, 2010

Frankfort Public Service District  
Water Revenue Bonds, Series 2010 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

Steptoe & Johnson PLLC  
Charleston, West Virginia

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 2010 A Bonds dated December 22, 2010, 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 December 13, 2010, as supplemented by the Supplemental Resolution duly adopted by the Issuer on December 13, 2010 (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 (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.

I am of the opinion that:

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, all under the Act and other applicable provisions of law.

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 and construction 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 West Virginia Bureau for Public Health, the Council and the Recommended Decision of the Public Service Commission of West Virginia entered January 29, 2010 which became a Final Order on February 18, 2010 in Case No. 09-0680-PWD-CN among other things, granting to the Issuer a certificate of public convenience and necessity for the Project, approving rates for the System and approving the financing for the Project. The time for appeal of such Order has expired prior to the date hereof without any appeal. Such Order remains in full force and effect.

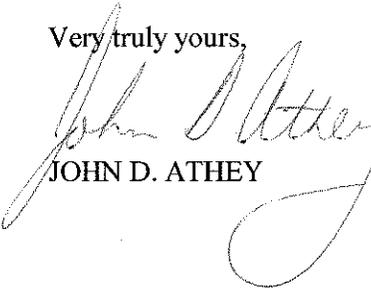
7. To the best of my knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

8. I have ascertained that all successful bidders have provided the drug-free workplace affidavit, submitted their drug free workplace plan, and the contracts contain language that complies with the Drug Free Workplace Act, Article 1D, Chapter 21 of the West Virginia Code. I have also ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy. Prior to the execution of construction contracts by the Issuer, We will review the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, and verify that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to

protect the various interests of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Bond Legislation and the Loan Agreements; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Very truly yours,



JOHN D. ATHEY

306370.00005

**JOHN D. ATHEY**  
ATTORNEY AT LAW  
ATHEY LAW BUILDING, SUITE 2  
149 ARMSTRONG STREET  
KEYSER, WEST VIRGINIA 26726  

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PHONE 304-788-9292  
FACSIMILE 304-788-6041

**AMENDED FINAL TITLE OPINION**

December 22, 2010

West Virginia Infrastructure and Jobs Development Council  
Charleston, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

Re: Frankfort Public Service District – Wiley Ford Water Project

Dear Ladies & Gentlemen:

I represent Frankfort Public Service District (the “District”) with regard to the Wiley Ford Water Project, together with all appurtenant facilities (the “Project”), and provide this final title opinion on behalf of the District to satisfy the requirements of the West Virginia Infrastructure and Jobs Development Council (the “Council”) with regard to the financing proposed for the Project. Please be advised of the following:

1. I am of the opinion that the District is a duly created and 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 Project as approved by the WV DHHR, Bureau for Public Health.

2. The District has obtained approval for all necessary permits and approvals for the construction of the Project.

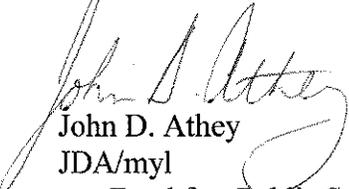
Page Two  
November 18, 2010

3. I have investigated and ascertained the location of and am familiar with the legal description of the necessary sites, including easements and/or rights of way, required for the Project as set forth in the plans for the Project prepared by Rummel, Klepper, & Kahl Engineers, the consulting engineers for the Project.

4. I have examined the records on file in the Office of the Clerk of the County Commission of Mineral County, West Virginia, the county in which the Project is to be located, and, in my opinion, the District has acquired legal title or such other estate or interest in the necessary site components for the Project, sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the facilities to be constructed.

5. Any deeds or other documents which have been acquired to date by the District have been duly recorded in the aforesaid Clerk's Office in order to protect the legal title to and interest of the District.

Sincerely,



John D. Athey

JDA/myl

cc: Frankfort Public Service District  
John Stump, Esquire, Steptoe & Johnson  
Dave Vanscoy, RK&K  
Michael Bland, County Coordinator

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 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. INSURANCE
12. VERIFICATION OF SCHEDULE
13. RATES
14. PUBLIC SERVICE COMMISSION ORDERS
15. SIGNATURES AND DELIVERY
16. BOND PROCEEDS
17. SPECIMEN BONDS
18. CONFLICT OF INTEREST
19. PROCUREMENT OF ENGINEERING SERVICES
20. 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 22nd day of December, 2010 in connection with the Issuer's Water Revenue Bonds, Series 2010 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 December 13, 2010, and the Supplemental Resolution duly adopted December 13, 2010 (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 AND BIDDING: 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 2010 A Bonds as to liens, pledge and source of and security for payment, being the: (i) Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$223,000 (the "Series 1976 Bonds"); (ii) 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"); (iii) Water Revenue Bonds, Series 1993 A (United States Department of Agriculture), dated December 2, 1993, issued in the original aggregate principal amount of \$1,325,000 (the "Series 1993 A Bonds"); (iv) Water Revenue Bonds, Series 1993 B (United States Department of Agriculture), dated December 2, 1993, issued in the original aggregate principal amount of \$198,000 (the "Series 1998 B Bonds"); (v) Water Revenue Bonds, Series 1979 (United States Department of Agriculture), dated January 4, 1980, issued in the original aggregate principal amount of \$301,000 (the "Series 1979 Bonds"); and (vi) Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the original aggregate principal amount of \$400,000 (the "Series 2008 A Bonds"), (collectively, the "Prior Bonds").

The Series 2010 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 2010 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

Consent of West Virginia Water Development Authority

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, 2010
Douglas Brelsford	February 8, 2010	June 30, 2015
Gerald Frantz	February 8, 2010	June 30, 2015
Jeffrey Adams	July 26, 2010	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 2010 are as follows:

Chairman	Blane Murray
Secretary	Paul Corwell

The duly appointed and acting counsel to the Issuer is John D. Athey, 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. CONTRACTORS' INSURANCE, ETC.: All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. The successful bidders have provided the Drug-Free Workplace Affidavit as evidence of compliance with the provisions of Article 1D, Chapter 21 of the West Virginia Code. All insurance for the System required by the Bond Legislation and Loan Agreement is in full force and effect.

10. 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.

The Issuer will serve the additional customers at the location(s) as set forth in Certificate of Engineer. The Issuer will not reduce the amount of additional customers served by the project without the prior written approval of the Board of the Water Development Authority (the "Authority"). Following completion of the Project the Issuer will certify to the Authority the number of customers added to the System.

11. **INSURANCE:** The Issuer will maintain or, as appropriate, will require all contractors to maintain worker's compensation, public liability, property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Bond Legislation and the Loan Agreement. All insurance for the System required by the Bond Legislation and the Loan Agreement are in full force and effect.

12. **VERIFICATION OF SCHEDULE:** The final Schedule B attached to the Certificate of Consulting Engineer, accurately represents the estimated costs of the Project, the sources of funds available to pay the costs of the Project and the costs of financing of the Bonds.

13. **RATES:** The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered on January 29, 2010 which became Final Order on February 18, 2010, in Case No.09-0680-PWD-CN 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 Order remains in full force and effect.

14. **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, 2010 which became Final Order on February 18, 2010, in Case No.09-0680-PWD-CN, 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. Such Order remains in full force and effect.

15. **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.

16. BOND PROCEEDS: On the date hereof, the Issuer also received \$383,851.63 from the Authority and the Council, being a portion of the principal amount of the Series 2010 A Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as the Project progresses.

17. SPECIMEN BONDS: Delivered concurrently herewith is a true and accurate specimen of the Bonds.

18. 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.

19. 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.

20. 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.

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WITNESS our signatures and the official seal of FRANKFORT PUBLIC SERVICE DISTRICT on the day and year first written above.

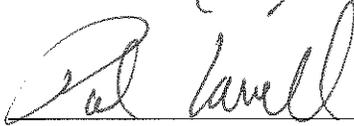
[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

  
\_\_\_\_\_

Chairman

  
\_\_\_\_\_

Secretary

\_\_\_\_\_

Counsel to Issuer

12.07.10  
306370.00005

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

12.07.10  
306370.00005

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 A  
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

On this 22nd day of December, 2010, I, David G. Vanscoy, Registered Professional Engineer, West Virginia License No. 6649, of Rummel, Klepper & Kahl, LLP, Consulting Engineers, in Keyser, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain extensions, additions, betterments and improvements (the "Project") to the existing public water system (the "System") of the Frankfort Public Service District (the "Issuer"), to be constructed in Mineral County, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds (the "Series 2010 A Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meanings set forth in the Bond Ordinance enacted by the Issuer on December 13, 2010, and the Supplemental Resolution adopted by the Issuer on December 13, 2010, and the loan agreement dated December 22, 2010 (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").

2. The Bonds are being issued for the purposes of (i) paying the costs of acquisition and construction of the Project; and (ii) paying costs of issuance and related costs.

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 the Council and any change orders approved by the Issuer, the Council and all necessary governmental bodies; (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least 40 years, if properly constructed, 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 described in Schedule B, attached hereto as Exhibit A and the Issuer's counsel, John Athey, has ascertained that all 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 Council and the bid forms provided to the bidders contain the 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 applicable 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 the operation of the System; (ix) in reliance upon the certificate of Huber, Michaels and Company, as of the effective date thereof, the rates and charges for the System enacted 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 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.

4. The Project has been designed to, and the construction contracts provide for, water service for up to 70 customers in the Wiley Ford area.

[Remainder of Page Intentionally Blank]

WITNESS my signature and seal as of the date first written above.

RUMMEL, KLEPPER & KAHL, LLP

[SEAL]



A handwritten signature in black ink, appearing to read "David G. Vanscoy", written over a horizontal line.

David G. Vanscoy, P.E.  
West Virginia License No. 6649

12.07.10  
306370.00005

# Frankfort PSD [Wiley Ford Water Project]

## IJDC PROJECT 2006W-923 & 2006W-923B

Dated 12/31/2010

A. COST OF PROJECT	TOTAL	PSD	SCBG	IJDC Grant	IJDC Loan 2006W-923	IJDC Loan 2006W-923b
<b>1 Construction</b>						
Contract 1 - Waterline Replacement	2,907,920.00	0.00	1,470,000.00	0.00	540,000.00	897,920.00
Contract 2 - Water Storage Tank	307,800.00	0.00	0.00	0.00	0.00	307,800.00
Contract 3	36,391.00	0.00	0.00	0.00	0.00	36,391.00
Contract 4 - meters	201,500.00	82,630.00	0.00	0.00	0.00	118,870.00
Water Treatment facility (TBD after well drilled)	150,000.00	0.00	0.00	0.00	0.00	150,000.00
Change order (Cumberland Airport & Swan Pond)	554,754.00	0.00	0.00	184,145.00	0.00	370,609.00
<b>2 Technical Services</b>						
a. Basic	344,000.00	0.00	0.00	0.00	0.00	344,000.00
b. Inspection	258,000.00	0.00	0.00	0.00	0.00	258,000.00
c. Special services	10,000.00	0.00	0.00	0.00	0.00	10,000.00
<b>3 Legal</b>						
a. Legal (Project Attorney)	25,000.00	0.00	0.00	0.00	0.00	25,000.00
b. Rights of Way	5,000.00	0.00	0.00	0.00	0.00	5,000.00
<b>4 Administration</b>						
a. Project Coordinator	60,000.00	0.00	30,000.00	0.00	0.00	30,000.00
b. Accounting	15,000.00	0.00	0.00	0.00	0.00	15,000.00
c. Other Administrative Costs	25,000.00	0.00	0.00	0.00	0.00	25,000.00
<b>5 Sites &amp; Other Lands</b>						
a. Acquisitions	50,000.00	0.00	0.00	0.00	0.00	50,000.00
b. Easements	16,000.00	0.00	0.00	0.00	0.00	16,000.00
<b>6 Equipment</b>						
Construction Contingency (C1, C2, C3, C4) 5%	175,855.00	0.00	0.00	175,855.00	0.00	0.00
<b>8 Sub Total line 1 thru 7</b>	<b>5,157,130.00</b>	<b>82,630.00</b>	<b>1,500,000.00</b>	<b>360,000.00</b>	<b>540,000.00</b>	<b>2,674,500.00</b>
<b>B. Cost of Financing</b>						
9 Funded Reserve	0.00	0.00	0.00	0.00	0.00	0.00
10 Registrar Fees	500.00	0.00	0.00	0.00	0.00	500.00
11 Bond Counsel	25,000.00	0.00	0.00	0.00	0.00	25,000.00
12 Sub Total Cost of Financing	25,500.00	0.00	0.00	0.00	0.00	25,500.00
<b>13 Total Cost of Project (Line 8 + Line 12)</b>	<b>5,182,630.00</b>	<b>82,630.00</b>	<b>1,500,000.00</b>	<b>360,000.00</b>	<b>540,000.00</b>	<b>2,700,000.00</b>
<b>C. SOURCES OF OTHER FUNDS</b>						
14 Federal Grant (SCBG)	1,500,000.00		1,500,000.00	0.00	0.00	0.00
15 State Grant (IJDC)	360,000.00		0.00	360,000.00	0.00	0.00
16 Other Grants	82,630.00	82,630.00	0.00	0.00	0.00	0.00
17 Total Grants (lines 14 through 16)	1,942,630.00	82,630.00	1,500,000.00	360,000.00	0.00	0.00
18 Total Bond Issue	3,240,000.00	0.00	0.00	0.00	540,000.00	2,700,000.00

  
 Frankfort Public Service District  
  
 RK&K

Date 12/13/10  
 Date 12/13/10

December 22, 2010

Frankfort Public Service District  
Water Revenue Bonds, Series 2010 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

United States Department of Agriculture  
Elkins, West Virginia

Ladies and Gentlemen:

Based upon the water rates and charges set forth in the Recommended Decision dated January 29, 2010 of the Public Service Commission of West Virginia in Case 09-0680-PWD-CN 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 2010 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: (i) Water Revenue Bonds, Series 1976 (United States Department of Agriculture), dated July 16, 1976, issued in the original aggregate principal amount of \$223,000, (ii) 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, (iii) Water Revenue Bonds, Series 1993 A (United States Department of Agriculture), dated December 2, 1993, originally issued to the Fort Ashby Public Service District in the aggregate principal amount of \$1,325,000, (iv) Water Revenue Bonds, Series 1993 B (United States Department of Agriculture), dated December 2, 1993, originally issued to the Fort Ashby Public Service District in the aggregate principal amount of \$198,000, (v) Water Revenue Bonds, Series 1979 (United States Department of Agriculture), dated January 4, 1980, originally issued to the Fort Ashby Public Service District in the aggregate principal amount of \$301,000 and (vi) Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the original aggregate principal amount of \$400,000, (collectively, the "Prior Bonds").

It is our further opinion that (i) the Net Revenues for the Fiscal Year following the year in

which the Series 2010 A Bonds are issued will be at least 120% of the average annual debt service requirements on the Prior Bonds and the Series 2010 A Bonds, and (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Bonds, if any, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Bonds and the Prior Bonds.

Sincerely,

*Huber, Michael & Company*

HUBER, MICHAELS & COMPANY

12.07.10  
306370.00005

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 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 \$3,240,000 Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), of the Issuer, dated December 22, 2010 (the "Bonds"), hereby certifies this 22nd day of December, 2010 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 December 13, 2010 supplemented by Supplemental Resolution duly adopted by the Issuer on December 13, 2010 (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 December 22, 2010, the date on which the Bonds are being physically delivered in exchange for an initial advance of the principal amount of the Series 2010 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 2010 A Bonds were sold on December 22, 2010, to the Authority, pursuant to a Loan Agreement dated December 22, 2010, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of \$3,240,000 (100% of par), at which time, the Issuer received \$383,851.63 from the Authority and the Council, being the first advance of the principal amount of the Series 2010 A Bonds. No accrued interest has been or will be paid on the Series 2010 A Bonds. The balance of the principal amount of the Series 2010 A Bonds will be advanced to the Issuer as the Project progresses.

6. The Series 2010 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project; and (ii) paying certain costs of issuance and related costs.

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 July 1, 2012. The Project is expected to be completed by January 1, 2012.

10. The total cost of the Project is estimated at \$5,100,000. Sources and uses of funds for the Project are as follows:

SOURCES

Proceeds of the Series 2010 A Bonds	\$3,240,000
Council Grant	\$360,000
<u>Small Cities Block Grant</u>	<u>\$1,500,000</u>
Total Sources	\$5,100,000

USES

Costs of the Project	\$5,074,500
<u>Costs of Issuance</u>	<u>\$25,500</u>
Total Uses	\$5,100,000

11. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2010 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 2010 A Bonds Project Trust Fund;
- (4) Series 2010 A Bonds Sinking Fund; and
- (5) Series 2010 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 2010 A Bond proceeds in the amount of \$-0- will be deposited in the Series 2010 A Bonds Sinking Fund as capitalized interest.

(2) Series 2010 A Bond proceeds in the amount of \$-0- will be deposited in the Series 2010 A Bonds Reserve Account.

(3) The balance of the proceeds of the Series 2010 A Bonds will be deposited in the Series 2010 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 2010 A Bonds and related costs.

13. Monies held in the Series 2010 A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2010 A Bonds and will not be available to meet costs of the Project. All investment earnings on monies in the Series 2010 A Bonds Sinking Fund and Series 2010 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2010 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 12 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 2010 A Bonds Sinking Fund for payment of interest, if any, on the Bonds and the amount deposited in the Series 2010 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 18 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 2010 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 2010 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2010 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 2010 A Bonds Reserve Account and the Series 2010 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 2010 A Bonds, (b) are to be sold pursuant to a common plan of financing together with the 2010 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

12.07.10  
306370.00005

BILL OF SALE OF  
FORT ASHBY PUBLIC SERVICE DISTRICT

THIS BILL OF SALE, made as of this 1st day of July, 2008, by and between FORT ASHBY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia, party of the first part, hereinafter sometimes referred to as the "Seller," 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 "Purchaser;"

WHEREAS, Seller adopted a resolution on March 1, 2004, approving the transfer of the assets of Seller to Purchaser, subject to the Purchaser's assumption of the Seller's Sewer Revenue Bonds, Series 1975 (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1975 Bonds"), dated August 27, 1975, issued in the original aggregate principal amount of \$612,900; Water Revenue Bonds, Series 1979 (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1979 Bonds"), dated January 4, 1980, issued in the original aggregate principal amount of \$301,000; Water Revenue Bonds, Series 1993 A (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1993 A Bonds"), dated December 2, 1993, issued in the original aggregate principal amount of \$1,325,000; and Water Revenue Bonds, Series 1993 B (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1993 B Bonds"), dated December 2, 1993, issued in the original aggregate principal amount of \$198,000 (the Series 1975 Bonds, the Series 1979 Bonds, the Series 1993 A Bonds and the Series 1993 B Bonds are herein collectively called the "Fort Ashby Prior Bonds"), the approval of the Public Service Commission of West Virginia and the approval of the bondholders of the Districts;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 05-0255-PSWD-PC, by Final Order entered on September 8, 2005, approved transfer of the assets of Seller to

Purchaser; and  
CH3835624.1

WHEREAS, the United States Department of Agriculture, acting through the Rural Utilities Service, as bondholder of the Fort Ashby Prior Bonds and certain Frankfort outstanding bonds, and the West Virginia Water Development Authority, as bondholder of certain Frankfort outstanding bonds, has approved the transfer of the assets of Seller to Purchaser and the assumption of the Fort Ashby Prior Bonds by the Purchaser, and the Public Service Board of Fort Ashby Public Service District is hereby executing and delivering this Bill of Sale to evidence the transfer of all personal property, tangible or intangible, and interests in personal property owned by Fort Ashby Public Service District to Frankfort Public Service District.

WITNESSETH, that for the sum of Ten and 00/100 Dollars (\$10.00), cash in hand 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, accounts receivable, deposit accounts, certificates of deposit, other evidences of indebtedness of a third party to the Seller, claims, causes of action, agreements, including, but not limited to, any indemnification agreements, contracts, equipment, supplies, vehicles, furniture, fixtures, furnishings, improvements, 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 this Bill of Sale.

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IN WITNESS WHEREOF, Fort Ashby Public Service District 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.

FORT ASHBY PUBLIC SERVICE DISTRICT

[SEAL]

By: Thomas C. Pyle  
Its: Chairman

STATE OF WEST VIRGINIA,  
COUNTY OF PUTNAM, TO-WIT:

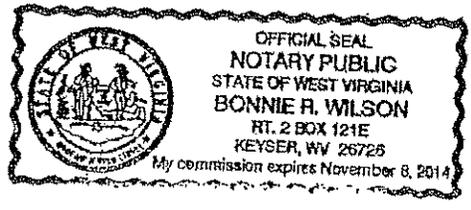
I, Bonnie Wilson, a Notary Public in and for the County and State aforesaid, do certify that \_\_\_\_\_, who signed the writing hereto annexed, bearing date as of the 1st day of July, 2008, for FORT ASHBY PUBLIC SERVICE DISTRICT, a public corporation, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said corporation.

Given under my hand and official seal this 10 day of July, 2008.  
My commission expires Nov. 8, 2014.

Bonnie R. Wilson  
Notary Public

This instrument prepared by:

John C. Stump  
Steptoe & Johnson PLLC  
Post Office Box 1588  
Charleston, West Virginia 25326  
(304) 353-8000



QUITCLAIM DEED

THIS QUITCLAIM DEED, made as of this 1st day of July 2008, by and between FORT ASHBY PUBLIC SERVICE DISTRICT (hereinafter sometimes referred to as "Fort Ashby"), a public corporation and political subdivision of the State of West Virginia, party of the first part, and FRANKFORT PUBLIC SERVICE DISTRICT (hereinafter sometimes referred to as "Frankfort"), a public corporation and political subdivision of the State of West Virginia, party of the second part.

WHEREAS, Fort Ashby adopted a resolution on March 1, 2004, approving the transfer of the assets of Fort Ashby to Frankfort, subject to Frankfort's assumption of Fort Ashby's Sewer Revenue Bonds, Series 1975 (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1975 Bonds"), dated August 27, 1975, issued in the original aggregate principal amount of \$612,900; Water Revenue Bonds, Series 1979 (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1979 Bonds"), dated January 4, 1980, issued in the original aggregate principal amount of \$301,000; Water Revenue Bonds, Series 1993 A (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1993 A Bonds"), dated December 2, 1993, issued in the original aggregate principal amount of \$1,325,000; and Water Revenue Bonds, Series 1993 B (United States of America – Farmers Home Administration, United States Department of Agriculture) (the "Series 1993 B Bonds"), dated December 2, 1993, issued in the original aggregate principal amount of \$198,000 (the Series 1975 Bonds, the Series 1979 Bonds, the Series 1993 A Bonds and the Series 1993 B Bonds are herein collectively called the "Fort Ashby Prior Bonds"), the approval of the Public Service Commission of West Virginia and the approval of the bondholders of the Districts;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 05-0255-PSWD-PC, by Final Order entered on September 8, 2005, approved transfer of the assets of Fort Ashby to Frankfort; and

WHEREAS, the United States Department of Agriculture, acting through the Rural Utilities Service, as bondholder of the Fort Ashby Prior Bonds and certain Frankfort outstanding bonds, and the West Virginia Water Development Authority, as bondholder of certain Frankfort outstanding bonds, has approved the transfer of the assets of Fort Ashby to Frankfort and the assumption of the Bonds by Frankfort, and Fort Ashby Public Service District is hereby executing and delivering this Quitclaim Deed to evidence the transfer of all right, title and interest in and to any and all real estate and interests in real estate, together with all improvements situate thereon and the appurtenances thereunto belonging, owned by Fort Ashby Public Service District to Frankfort Public Service District.

WHEREAS, The property described herein was obtained or improved with Federal financial assistance and is subject to nondiscrimination provisions of Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, and other similarly worded Federal statutes, and the regulations issued pursuant thereto that prohibit discrimination on the basis of race, color, national origin, handicap, religion, age, or sex in programs or activities receiving Federal financial assistance. Such provisions apply for as long as the property continues to be used for the same or similar purposes for which the Federal assistance was extended, for so long as the purchaser owns it, whichever is later.

NOW, THEREFORE, in consideration of said merger and the premises herein and Ten Dollars (\$10.00), cash in hand paid, the receipt of which is hereby acknowledged, the party of the first part does hereby GRANT and CONVEY unto the party of the second part all of its right, title and interest in and to any and all real estate and interests in real estate, together with all improvements situate thereon and the appurtenances thereunto belonging, situate in Mineral County, West Virginia, and more particularly bounded and described In Exhibit A attached hereto:

For the same consideration aforesaid, the said party of the first part does hereby assign, transfer, set over and convey to the party of the second part all personal property, including, but not limited to, all inventory, accounts receivable, equipment, supplies, vehicles, furniture, fixtures,

furnishings, improvements, other tangible personal property and any interest in personal property owned by the party of the first part, wherever located.

This conveyance is made subject to all exceptions, reservations, restrictions, easements, conditions and rights-of-way contained or mentioned in prior instruments of record affecting the subject property.

The undersigned party of the first part hereby declares that this conveyance is not subject to the West Virginia Excise Tax on the privilege of transferring real property because it is a conveyance from a political subdivision of the State of West Virginia to another political subdivision of the State of West Virginia.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Fort Ashby Public Service District has hereto caused its corporate name to be signed and corporate seal to be affixed hereto by its proper officer thereunto duly authorized, all as of the day and year first hereinabove written.

FORT ASHBY PUBLIC SERVICE DISTRICT

[SEAL]

By Thomas C. Pyke  
Its Chairman

STATE OF WEST VIRGINIA,

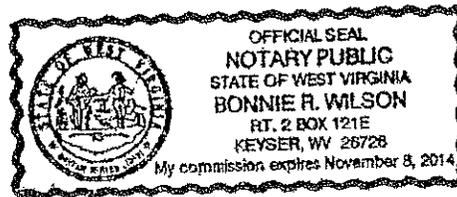
COUNTY OF MINERAL, TO-WIT:

I, Bonnie Wilson, a Notary Public in and for the County and State aforesaid, do certify that \_\_\_\_\_, Chairman, who signed the writing hereto annexed, bearing date as of the 1st day of July, 2008, for FORT ASHBY PUBLIC SERVICE DISTRICT, a public 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 10 day of July, 2008.

My commission expires Nov. 8, 2014.

Bonnie R. Wilson  
Notary Public



This document prepared by:

John C. Stump  
Steptoe & Johnson PLLC  
Post Office Box 1588  
Charleston, West Virginia 25326  
(304) 353-8000

7/10/08

FORT ASHBY PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE  
MERGER OF FORT ASHBY PUBLIC SERVICE DISTRICT  
INTO FRANKFORT PUBLIC SERVICE DISTRICT AND  
ADOPTING OTHER PROVISIONS RELATED THERETO

WHEREAS, Fort Ashby Public Service District (hereinafter "Fort Ashby") is a public service district and public corporation created by Resolution of The County Commission of Mineral County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Frankfort Public Service District (hereinafter "Frankfort") is a public service district and public corporation created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the Public Service Board of Fort Ashby adopted a resolution on March 1, 2004 following a duly noticed public hearing, authorizing the merger of Fort Ashby into Frankfort;

WHEREAS, the County Commission adopted a resolution on February 8, 2005, approving the merger of Fort Ashby into Frankfort, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 05-0255-PSWD-PC, by Recommended Decision entered August 19, 2005, which became a Final Order of the Commission on September 8, 2005, approved and ordered the merger of Fort Ashby Public Service District into Frankfort Public Service District, and with the following conditions:

- (1) The cash assets of the Fort Ashby Public Service District, other than the restricted bond reserve, shall be placed in an interest bearing account for future repairs, replacements and extensions of its water and sewer systems. The accrued interest from this account remains part of the account.
- (2) The new Frankfort Public Service District shall adopt the Fort Ashby Public Service District's water and sewer tariffs and continue to charge Fort Ashby customers by these tariffs. The new

District shall maintain a separate financial and statistical account of Fort Ashby's water and sewer operations.

(3) After all financial obligations of Fort Ashby are met, any surplus cash shall be deposited into the restricted cash account. This applies to both the water and sewer operations of Fort Ashby.

(4) Approval by the Frankfort Public Service District to acquire the water and sewer assets of the Fort Ashby Public Service District.

(5) Approval by the Frankfort Public Service District to assume the outstanding water and sewer debt of the Fort Ashby Public Service District.

(6) The Frankfort Public Service District and the Fort Ashby Public Service District obtain approval from their bondholders concerning this acquisition. This applies to the water and sewer operations of both Districts.

(7) The existing customers of the Fort Ashby Public Service District continue to pay the rates and charges currently in effect for that District for a period of eighteen (18) months. This applies to both the water and sewer operations of Fort Ashby.

(8) The Frankfort Public Service District apply to the Commission for a rate review eighteen (18) months after the Commission issues a Final Order in this case. This applies to both the water and sewer operations of both Districts.

(9) The Frankfort Public Service District record the amount of \$1,995,324 as the net book value of the Fort Ashby Public Service District's net water utility plant and \$1,340,918 for the net sewer utility plant;

WHEREAS, the County Commission has adopted a resolution and order on July 8, 2008, ratifying the merger of Fort Ashby into Frankfort, subject to the approval of both Districts' bondholders and the conditions for the merger ordered by the Public Service Commission of West Virginia;

WHEREAS, as a necessary part of the merger, the County Commission's July 8, 2008 resolution and order ratifying the merger of Fort Ashby into Frankfort, requires Frankfort to assume, all privileges, rights and other assets of Fort Ashby and to assume, all debts, duties and other liabilities of Fort Ashby;

WHEREAS, as of the date of this Resolution, Fort Ashby has the following outstanding bonds: Sewer Revenue Bonds, Series 1975 (United States of America -- Farmers

Home Administration, United States Department of Agriculture) (the "Series 1975 Bonds"), dated August 27, 1975, issued in the original aggregate principal amount of \$612,900; Water Revenue Bonds, Series 1979 (United States of America - Farmers Home Administration, United States Department of Agriculture) (the "Series 1979 Bonds"), dated January 4, 1980, issued in the original aggregate principal amount of \$301,000; Water Revenue Bonds, Series 1993 A (United States of America - Farmers Home Administration, United States Department of Agriculture) (the "Series 1993 A Bonds"), dated December 2, 1993, issued in the original aggregate principal amount of \$1,325,000; and Water Revenue Bonds, Series 1993 B (United States of America - Farmers Home Administration, United States Department of Agriculture) (the "Series 1993 B Bonds"), dated December 2, 1993, issued in the original aggregate principal amount of \$198,000 (the Series 1975 Bonds, the Series 1979 Bonds, the Series 1993 A Bonds and the Series 1993 B Bonds are herein collectively called the "Prior Bonds");

WHEREAS, the United States Department of Agriculture, Rural Utilities Service, as the holder of the Prior Bonds heretofore issued by Fort Ashby has consented to the merger of Fort Ashby into Frankfort and the assumption of the Prior Bonds by Frankfort;

WHEREAS, as a necessary part of the merger, the County Commission's July 8, 2008 resolution and order ratifying the merger of Fort Ashby into Frankfort, orders the dissolution of Fort Ashby and the enlargement of Frankfort to include all areas presently served by Fort Ashby;

WHEREAS, the United States of America - Farmers Home Administration, United States Department of Agriculture, as the holder of the Prior Bonds heretofore issued by Fort Ashby has consented to the dissolution of Fort Ashby;

WHEREAS, the Board of Frankfort plans to adopt a resolution on July 10, 2008, approving and ratifying the merger of Fort Ashby into Frankfort and other provisions related thereto;

WHEREAS, contemporaneously with the merger of Fort Ashby into Frankfort, Fort Ashby desires to assign, and Frankfort desires to assume all liabilities for and obligations under the Prior Bonds; and

WHEREAS, it is in the best interest of the customers of Frankfort and Fort Ashby to complete the proposed merger, to convey all assets, rights, privileges, immunities and powers of Fort Ashby to Frankfort, for Frankfort to assume and re-designate the Prior Bonds, for Fort Ashby to be dissolved and for the boundaries of Frankfort to be expanded to include and all areas presently served by Fort Ashby.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF FORT ASHBY PUBLIC SERVICE DISTRICT, MINERAL COUNTY, WEST VIRGINIA AS FOLLOWS:

1. Fort Ashby does hereby authorize and ratify the merger of Fort Ashby into Frankfort and accepts any and all conditions placed on the merger ordered by the Public Service Commission.

2. As required by the merger, Fort Ashby does hereby authorize and ratify the transfer of the assets of Fort Ashby to Frankfort, the assignment of the Prior Bonds to Frankfort and the dissolution of Fort Ashby.

3. That, immediately following the consummation of the merger, Fort Ashby shall be dissolved.

4. The Chairman and Secretary of Fort Ashby are hereby authorized and directed to execute all documents concerning the merger, specifically including, but not limited to, the transfer of Fort Ashby's assets to Frankfort and the assignment of the Prior Bonds.

5. The Chairman and Secretary of Fort Ashby are hereby authorized and directed to execute all documents concerning the dissolution of Fort Ashby.

6. The Chairman and Secretary of Fort Ashby are vested with the appropriate authority to take any and all actions necessary to complete the merger and the dissolution of Fort Ashby.

7. This Resolution shall become effective immediately upon adoption hereof.

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Adopted by the Public Service Board of Fort Ashby Public Service District at a meeting duly noticed and held on the 10th day of July, 2008.

FORT ASHBY PUBLIC SERVICE DISTRICT

[SEAL]

  
Chairman

FRANKFORT PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING AND RATIFYING THE  
MERGER OF FORT ASHBY PUBLIC SERVICE DISTRICT  
INTO FRANKFORT PUBLIC SERVICE DISTRICT AND  
ADOPTING OTHER PROVISIONS RELATED THERETO

WHEREAS, Frankfort Public Service District (hereinafter "Frankfort") is a public service district and public corporation created by Resolution of The County Commission of Mineral County (hereinafter, the "County Commission") and formed pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, Fort Ashby Public Service District (hereinafter "Fort Ashby") is a public service district and public corporation created by Resolution of the County Commission and formed pursuant to the provisions of the Act;

WHEREAS, the County Commission adopted a resolution on February 8, 2005, approving the merger of Fort Ashby into Frankfort, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 05-0255-PSWD-PC, by Recommended Decision entered August 19, 2005, which became a Final Order of the Commission on September 8, 2005, approved and ordered the merger of Fort Ashby Public Service District into Frankfort Public Service District, with the following conditions:

(1) The cash assets of the Fort Ashby Public Service District, other than the restricted bond reserve, shall be placed in an interest bearing account for future repairs, replacements and extensions of its water and sewer systems. The accrued interest from this account remains part of the account.

(2) The new Frankfort Public Service District shall adopt the Fort Ashby Public Service District's water and sewer tariffs and continue to charge Fort Ashby customers by these tariffs. The new District shall maintain a separate financial and statistical account of Fort Ashby's water and sewer operations.

(3) After all financial obligations of Fort Ashby are met, any surplus cash shall be deposited into the restricted cash account. This applies to both the water and sewer operations of Fort Ashby.

(4) Approval by the Frankfort Public Service District to acquire the water and sewer assets of the Fort Ashby Public Service District.

(5) Approval by the Frankfort Public Service District to assume the outstanding water and sewer debt of the Fort Ashby Public Service District.

(6) The Frankfort Public Service District and the Fort Ashby Public Service District obtain approval from their bondholders concerning this acquisition. This applies to the water and sewer operations of both Districts.

(7) The existing customers of the Fort Ashby Public Service District continue to pay the rates and charges currently in effect for that District for a period of eighteen (18) months. This applies to both the water and sewer operations of Fort Ashby.

(8) The Frankfort Public Service District apply to the Commission for a rate review eighteen (18) months after the Commission issues a Final Order in this case. This applies to both the water and sewer operations of both Districts.

(9) The Frankfort Public Service District record the amount of \$1,995,324 as the net book value of the Fort Ashby Public Service District's net water utility plant and \$1,340,918 for the net sewer utility plant;

WHEREAS, the County Commission has adopted a resolution and order on July 8, 2008, ratifying the merger of Fort Ashby into Frankfort, subject to the approval of both Districts' bondholders and the conditions for the merger ordered by the Public Service Commission of West Virginia;

WHEREAS, as a necessary part of the merger, the County Commission's July 8, 2008 resolution and order ratifying the merger of Fort Ashby into Frankfort, requires Frankfort to assume, all privileges, rights and other assets of Fort Ashby and to assume, all debts, duties and other liabilities of Fort Ashby;

WHEREAS, as of the date of this Resolution, Fort Ashby has the following outstanding bonds: Sewer Revenue Bonds, Series 1975 (United States of America -- Farmers Home Administration, United States Department of Agriculture) (the "Series 1975 Bonds"), dated August 27, 1975, issued in the original aggregate principal amount of \$612,900; Water Revenue Bonds, Series 1979 (United States of America -- Farmers Home Administration, United States Department of Agriculture) (the "Series 1979 Bonds"), dated January 4, 1980, issued in

the original aggregate principal amount of \$301,000; Water Revenue Bonds, Series 1993 A (United States of America – Farmers Home Administration, United States Department of Agriculture) (the “Series 1993 A Bonds”), dated December 2, 1993, issued in the original aggregate principal amount of \$1,325,000; and Water Revenue Bonds, Series 1993 B (United States of America – Farmers Home Administration, United States Department of Agriculture) (the “Series 1993 B Bonds”), dated December 2, 1993, issued in the original aggregate principal amount of \$198,000 (the Series 1975 Bonds, the Series 1979 Bonds, the Series 1993 A Bonds and the Series 1993 B Bonds are herein collectively called the “Fort Ashby Prior Bonds”);

WHEREAS, as of the date of this Resolution, Frankfort has the following outstanding bonds: Water Revenue Bonds, Series 1976 (United States Department of Agriculture) (the “Series 1976 Bonds”), dated July 16, 1976, issued in the original aggregate principal amount of \$223,000; Water Revenue Bonds, Series 1993 (United States Department of Agriculture) (the “Series 1993 Bonds”), dated December 2, 1993, issued in the original aggregate principal amount of \$2,000,000, Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program) (the “Series 2000 A Bonds”), dated June 27, 2000, issued in the original aggregate principal amount of \$500,000; Sewer Revenue Bonds, Series 2000 B (West Virginia Infrastructure Fund) (the “Series 2000 B Bonds”), dated June 27, 2000, issued in the original aggregate principal amount of \$1,572,459, Sewerage System Design Revenue Bonds, Series 2006 A (West Virginia Infrastructure Fund) (the “Series 2006 A Bonds”), dated April 15, 2006, issued in the original aggregate principal amount of \$200,000; and Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund) (the “Series 2008 A Bonds”), dated May 6, 2008, issued in the original aggregate principal amount of \$400,000 (the Series 1976 Bonds, the Series 1993 Bonds, the Series 2000 A Bonds, the Series 2000 B Bonds, the Series 2006 A Bonds and the Series 2008 A Bonds are herein collectively called the “Frankfort Prior Bonds”);

WHEREAS, the United States Department of Agriculture, Rural Utilities Service, as the holder of the Fort Ashby Prior Bonds heretofore issued by Fort Ashby has consented to the merger of Fort Ashby into Frankfort and the assumption of the Fort Ashby Prior Bonds by Frankfort;

WHEREAS, the United States Department of Agriculture, Rural Utilities Service and the West Virginia Water Development Authority, as the holders of the Frankfort Prior Bonds heretofore issued by Frankfort has consented to the merger of Fort Ashby into Frankfort and the assumption of the Fort Ashby Prior Bonds by Frankfort;

WHEREAS, as a necessary part of the merger, the County Commission’s July 8, 2008 resolution and order ratifying the merger of Fort Ashby into Frankfort, orders the dissolution of Fort Ashby and the enlargement of Frankfort to include all areas presently served by Fort Ashby;

WHEREAS, contemporaneously with the completion of the merger of Fort Ashby into Frankfort, Frankfort’s service territory shall now include the following service territory (“Post Merger Service Territory”):

Beginning at a stake in a field, land owned by Fred Siple; thence S. 30° 18' E. a distance of 2263.00 feet to Patterson Creek, crossing

said creek same bearing continued a distance of 944.71 feet, total distance of 3207.71 feet to a fence post in right of way line of W. Va. Secondary Road No. 15; thence with said right-of-way line S. 55° 31' W. a distance of 443.99 feet to a stake by a power pole in said right-of-way line; thence, crossing said W. Va. Secondary Road No. 15 and along the property line of The Board of Education, S. 30° 18' E. a distance of 782.85 feet to a concrete Monument, corner to said Board of Education and in property line of Ralph Barnes and Fed Larsen; thence with said Barnes and Larsen S. 71° 56' W. a distance of 229.64 feet to a hickory tree corner of said Barnes and James Allen; thence with said Barnes and Allen and passing a Swamp Oak on other corner of said Barnes and Allen in said Public Service Distance line S. 14° 54' E. a distance of 595.08 feet to an eight inch Black Oak in or near the property line of K. H. Ratcliffe and James Allen; thence S. 28° 21' W. a distance of 1744.00 feet to a stake on a ridge; thence S. 1° 54' W. a distance of 955.65 feet, crossing a deep hollow and ridge to a twenty inch Black Oak on the east side of a ravine; thence down ravine S. 62° 11' W. a distance of 402.77 feet to a point on S. W. Corner of concrete Headwall of Route W. Va. 28; thence crossing Route 28 and up W. Va. Secondary Route 58.5, S. 64° 27' W. a distance of 557.80 feet to a stake on the west side of said Route 28/5; thence with west side of Route 58/5 S. 11° 45' W. A distance of 229.00 feet to an eighteen inch Black Walnut; thence leaving said Route 28/5 S. 63° 43' W. a distance of 1102.34 feet to an eighteen inch Black Oak on a knoll; thence, N. 29° 36' W. a distance of 653.99 feet to a fence post corner to Dowden and Riley in Shanholtz line; thence with Dowden, Stallings and Riley line N. 35° 32' W. a distance of 1580.09 feet to an eight inch elm near corner of Stallings and in Riley line; thence across Riley's land S. 42° 28' W. a distance of 1069.50 feet to a double Thorn Tree in Bower's line; thence with Bower and Riley N. 35° 25' W., crossing Route W. Va. 46 at 530.00 feet, old Mill Race at 1772.00 feet and Patterson Creek at 3448.00 feet, a distance of 3698.69 feet to three Chestnut Oaks growing from one stump; thence N. 34° 55' E. a distance of 2951.85 feet to a 5 inch Elm on a ridge 325 feet more or less northwest of W. B. Helmick's house; thence N. 43° 29' E. crossing W. Va. Secondary Road No. 28/4, a distance of 1398.27 feet to a fourteen inch Pine on ridge; thence N. 62° 06' E. a distance of 1262.73 feet to an eight inch Hickory Tree; thence S. 85° 01' E., crossing Route W. Va. 28 at the intersection of W. Va. Secondary Route 28/3, a distance of 1517.09 feet to the beginning; containing 1.277 square miles; and

Beginning at the intersection of the Frankfort-Cabin Run Tax Districts an 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

WHEREAS, the United States of America – Farmers Home Administration, United States Department of Agriculture, as the holder of the Prior Bonds heretofore issued by Fort Ashby has consented to the dissolution of Fort Ashby;

WHEREAS, the Board of Fort Ashby plans to adopt a resolution on July 10, 2008, approving and ratifying the merger of Fort Ashby into Frankfort and other provisions related thereto;

WHEREAS, contemporaneously with the merger of Fort Ashby into Frankfort, Fort Ashby desires to assign, and Frankfort desires to assume all liabilities for and obligations under the Fort Ashby Prior Bonds; and

WHEREAS, it is in the best interest of the customers of Frankfort and Fort Ashby to complete the proposed merger, to convey all assets, rights, privileges, immunities and powers of Fort Ashby to Frankfort, for Frankfort to assume and re-designate the Fort Ashby Prior Bonds, for Fort Ashby to be dissolved and for the boundaries of Frankfort to be enlarged to include all areas presently served by Fort Ashby.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF FRANKFORT PUBLIC SERVICE DISTRICT, MINERAL COUNTY, WEST VIRGINIA AS FOLLOWS:

1. Frankfort does hereby authorize and ratify the merger of Fort Ashby into Frankfort and accepts any condition placed on the merger ordered by the Public Service Commission.

2. As required by the merger, Frankfort does hereby authorize and ratify the transfer of the assets of Fort Ashby to Frankfort, the assignment of the Fort Ashby Prior Bonds to Frankfort and the enlargement of Frankfort's boundaries to include all areas in the Post Merger Service Territory.

3. The Chairman and Secretary of Frankfort are hereby authorized and directed to execute all documents concerning the merger, specifically including, but not limited to, the transfer of Fort Ashby's assets to Frankfort, the assignment of the Fort Ashby Prior Bonds to Frankfort and the enlargement of Frankfort's boundaries to include all areas in the Post Merger Service Territory.

4. The Chairman and Secretary of Frankfort are vested with the appropriate authority to take any and all actions necessary to complete the merger.

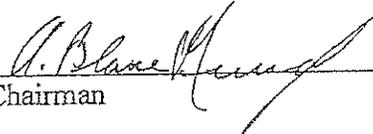
5. This Resolution shall become effective immediately upon adoption hereof.

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Adopted by the Public Service Board of Frankfort Public Service District at a meeting held on the 10th day of July, 2008.

FRANKFORT PUBLIC SERVICE DISTRICT

[SEAL]

  
Chairman

BEFORE THE COUNTY COMMISSION OF MINERAL COUNTY

**A RESOLUTION AND ORDER RATIFYING THE MERGER  
OF FORT ASHBY PUBLIC SERVICE DISTRICT INTO  
FRANKFORT PUBLIC SERVICE DISTRICT**

WHEREAS, pursuant to the provisions of Article 13A, Chapter 16 of the West Virginia Code, The County Commission of Mineral County is empowered to, upon its own motion by order duly adopted, propose the merger of public service districts located within the County, in order to preserve the public health, comfort and convenience of the areas within the public service districts;

WHEREAS, The County Commission of Mineral County, after considerable deliberation, has decided that the merger of Fort Ashby Public Service District into Frankfort Public Service District is necessary for the preservation of the public health, comfort and convenience for the areas presently served and proposed to be served by the said Districts;

WHEREAS, The County Commission of Mineral County, West Virginia, adopted a Resolution and Order on January 11, 2005, proposing the merger of Fort Ashby Public Service District into Frankfort Public Service District;

WHEREAS, The County Commission of Mineral County, West Virginia, held public hearings on the Resolution and Order on January 24, 2005, February 2, 2005 and February 8, 2005, proposing the merger of Fort Ashby Public Service District into Frankfort Public Service District;

WHEREAS, The County Commission of Mineral County, West Virginia, after the final public hearing, adopted a Resolution and Order on February 8, 2005, approving the merger of Fort Ashby Public Service District into Frankfort Public Service District, subject to the approval of the Public Service Commission of West Virginia;

WHEREAS, the Public Service Commission of West Virginia, in Case No. 05-0255-PSWD-PC, by Recommended Decision entered August 19, 2005, which became a Final Order of the Commission on September 8, 2005, approved and ordered the merger of Fort Ashby Public Service District into Frankfort Public Service District, contingent upon said Districts' bondholders granting their consent and approval of the acquisition and merger and with the following conditions:

(1) The cash assets of the Fort Ashby Public Service District, other than the restricted bond reserve, shall be placed in an interest bearing account for future repairs, replacements and extensions of its water and sewer systems. The accrued interest from this account remains part of the account.

(2) Frankfort Public Service District shall adopt the Fort Ashby Public Service District's water and sewer tariffs and continue to charge Fort Ashby Public Service District customers by these tariffs.

Frankfort Public Service District shall maintain a separate financial and statistical account of Fort Ashby Public Service District's water and sewer operations.

(3) After all financial obligations of Fort Ashby Public Service District are met, any surplus cash shall be deposited into the restricted cash account. This applies to both the water and sewer operations of Fort Ashby Public Service District.

(4) Approval by the Frankfort Public Service District to acquire the water and sewer assets of the Fort Ashby Public Service District.

(5) Approval by the Frankfort Public Service District to assume the outstanding water and sewer debt of the Fort Ashby Public Service District.

(6) The Frankfort Public Service District and the Fort Ashby Public Service District obtain approval from their bondholders concerning this acquisition. This applies to the water and sewer operations of both Districts.

(7) The existing customers of the Fort Ashby Public Service District continue to pay the rates and charges currently in effect for that District for a period of eighteen (18) months. This applies to both the water and sewer operations of Fort Ashby Public Service District.

(8) The Frankfort Public Service District apply to the Commission for a rate review eighteen (18) months after the date of the merger. This applies to both the water and sewer operations of both Districts.

(9) The Frankfort Public Service District record the amount of \$1,995,324 as the net book value of the Fort Ashby Public Service District's net water utility plant and \$1,340,918 for the net sewer utility plant;

WHEREAS, contemporaneously with the completion of the merger of Fort Ashby Public Service District into Frankfort Public Service District, Fort Ashby Public Service District desires to assign, and Frankfort Public Service District desires to assume, all privileges, rights and other assets of Fort Ashby Public Service District;

WHEREAS, contemporaneously with the completion of the merger of Fort Ashby Public Service District into Frankfort Public Service District, Fort Ashby Public Service District desires to transfer, and Frankfort Public Service District desires to assume, all debts, duties and other liabilities of Fort Ashby Public Service District;

WHEREAS, contemporaneously with the completion of the merger of Fort Ashby Public Service District into Frankfort Public Service District, the service territory of Frankfort Public Service District shall be enlarged to include the all areas presently served by said Districts; and

WHEREAS, contemporaneously with the completion of the merger of Fort Ashby Public Service District into Frankfort Public Service District, Fort Ashby Public Service District shall be dissolved;

WHEREAS, The County Commission of Mineral County, after considerable deliberation, has decided that the enlargement of the water and sewer service authority of Frankfort Public Service District to include all areas presently served by the said Districts, is necessary for the preservation of the public health, comfort and convenience for the areas presently served and proposed to be served by the said Districts;

WHEREAS, contemporaneously with the consumation of the merger, Frankfort Public Service District shall include the following service territory:

Beginning at a stake in a field, land owned by Fred Siple; thence S. 30° 18' E. a distance of 2263.00 feet to Patterson Creek, crossing said creek same bearing continued a distance of 944.71 feet, total distance of 3207.71 feet to a fence post in right of way line of W. Va. Secondary Road No. 15; thence with said right-of-way line S. 55° 31' W. a distance of 443.99 feet to a stake by a power pole in said right-of-way line; thence, crossing said W. Va. Secondary Road No. 15 and along the property line of The Board of Education, S. 30° 18' E. a distance of 782.85 feet to a concrete Monument, corner to said Board of Education and in property line of Ralph Barnes and Fed Larsen; thence with said Barnes and Larsen S. 71° 56' W. a distance of 229.64 feet to a hickory tree corner of said Barnes and James Allen; thence with said Barnes and Allen and passing a Swamp Oak on other corner of said Barnes and Allen in said Public Service Distance line S. 14° 54' E. a distance of 595.08 feet to an eight inch Black Oak in or near the property line of K. H. Ratcliffe and James Allen; thence S. 28° 21' W. a distance of 1744.00 feet to a stake on a ridge; thence S. 1° 54' W. a distance of 955.65 feet, crossing a deep hollow and ridge to a twenty inch Black Oak on the east side of a ravine; thence down ravine S. 62° 11' W. a distance of 402.77 feet to a point on S. W. Corner of concrete Headwall of Route W. Va. 28; thence crossing Route 28 and up W. Va. Secondary Route 58.5, S. 64° 27' W. a distance of 557.80 feet to a stake on the west side of said Route 28/5; thence with west side of Route 58/5 S. 11° 45' W. A distance of 229.00 feet to an eighteen inch Black Walnut; thence leaving said Route 28/5 S. 63° 43' W. a distance of 1102.34 feet to an eighteen inch Black Oak on a knoll; thence, N. 29° 36' W. a distance of 653.99 feet to a fence post corner to Dowden and Riley in Shanholtz line; thence with Dowden, Stallings and Riley line N. 35° 32' W. a distance

of 1580.09 feet to an eight inch elm near corner of Stallings and in Riley line; thence across Riley's land S. 42° 28' W. a distance of 1069.50 feet to a double Thorn Tree in Bower's line; thence with Bower and Riley N. 35° 25' W., crossing Route W.Va. 46 at 530.00 feet, old Mill Race at 1772.00 feet and Patterson Creek at 3448.00 feet, a distance of 3698.69 feet to three Chestnut Oaks growing from one stump; thence N. 34° 55' E. a distance of 2951.85 feet to a 5 inch Elm on a ridge 325 feet more or less northwest of W. B. Helmick's house; thence N. 43° 29' E. crossing W. Va. Secondary Road No. 28/4, a distance of 1398.27 feet to a fourteen inch Pine on ridge; thence N. 62° 06' E. a distance of 1262.73 feet to an eight inch Hickory Tree; thence S. 85° 01' E., crossing Route W. Va. 28 at the intersection of W. Va. Secondary Route 28/3, a distance of 1517.09 feet to the beginning; containing 1.277 square miles; and

Beginning at the intersection of the Franfort-Cabin Run Magisterial Districts 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;

WHEREAS, the Board of Frankfort Public Service District will consider for adoption a resolution on July 10, 2008, approving and ratifying the merger of Fort Ashby Public Service District into Frankfort Public Service District and other provisions related thereto;

WHEREAS, the Board of Fort Ashby Public Service District will consider for adoption a resolution on July 10, 2008, approving and ratifying the merger of Fort Ashby Public Service District into Frankfort Public Service District and other provisions related thereto; and

WHEREAS, it is now deemed desirous by The County Commission of Mineral County to adopt a Resolution and Order ratifying the merger of Fort Ashby Public Service District into Frankfort Public Service District, sanctioning and confirming all lawful actions taken by said Districts and their counsel to effectuate and complete the merger of Fort Ashby Public Service District into Frankfort Public Service District.

NOW, THEREFORE, BE IT, AND IT IS, HEREBY, RESOLVED AND ORDERED by The County Commission of Mineral County as follows:

1. That the merger of Fort Ashby Public Service District into Frankfort Public Service District, as described in the above stated recitals of this Resolution and Order, is hereby ratified, confirmed, and, in all respects deemed completed, contingent upon the following conditions:

(1) The cash assets of the Fort Ashby Public Service District, other than the restricted bond reserve, shall be placed in an interest bearing account for future repairs, replacements and extensions of its water and sewer systems. The accrued interest from this account remains part of the account.

(2) Frankfort Public Service District shall adopt the Fort Ashby Public Service District's water and sewer tariffs and continue to charge Fort Ashby Public Service District's customers by these tariffs. The Frankfort Public Service District shall maintain a separate financial and statistical account of Fort Ashby Public Service District's water and sewer operations.

(3) After all financial obligations of Fort Ashby Public Service District are met, any surplus cash shall be deposited into the restricted cash account. This applies to both the water and sewer operations of Fort Ashby Public Service District.

(4) Approval by the Frankfort Public Service District to acquire the water and sewer assets of the Fort Ashby Public Service District.

(5) Approval by the Frankfort Public Service District to assume the outstanding water and sewer debt of the Fort Ashby Public Service District.

(6) The Frankfort Public Service District and the Fort Ashby Public Service District obtain approval from their bondholders concerning this acquisition. This applies to the water and sewer operations of both Districts.

(7) The existing customers of the Fort Ashby Public Service District continue to pay the rates and charges currently in effect for that District for a period of eighteen (18) months. This applies to both the water and sewer operations of Fort Ashby Public Service District.

(8) The Frankfort Public Service District apply to the Commission for a rate review eighteen (18) months after the date of the merger. This applies to both the water and sewer operations of both Districts.

(9) The Frankfort Public Service District record the amount of \$1,995,324 as the net book value of the Fort Ashby Public Service

District's net water utility plant and \$1,340,918 for the net sewer utility plant;

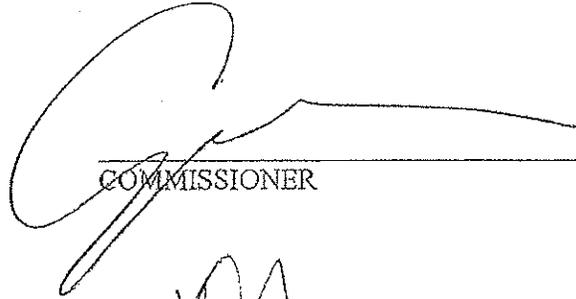
2. That all lawful actions taken by the said Districts and their counsel to effectuate and complete the merger of Fort Ashby Public Service District into Frankfort Public Service District are hereby ratified and confirmed.

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2008. By the Order of The County Commission of Mineral County this 8th day of July,

THE COUNTY COMMISSION OF  
MINERAL COUNTY

\_\_\_\_\_  
PRESIDENT

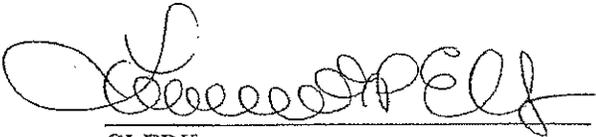


\_\_\_\_\_  
COMMISSIONER



\_\_\_\_\_  
COMMISSIONER

ATTEST:



\_\_\_\_\_  
CLERK

8/19/05

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PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: August 19, 2005

CASE NO. 05-0255-PSWD-PC

**FINAL**  
9-8-05

MINERAL COUNTY COMMISSION  
Petition for consent and approval of  
the merger of the Fort Ashby and Frankfort  
Public Service Districts.

RECOMMENDED DECISION

PROCEDURE

On February 25, 2005, the Mineral County Commission (County Commission) filed, pursuant to West Virginia Code §16-13-2, its February 8, 2005 Order, merging the Fort Ashby Public Service District and the Frankfort Public Service District.

On March 14, 2005, Staff Attorney Cecelia Jarrell filed an Initial Internal Memorandum, to which was attached the Initial Internal Memorandum prepared by Mr. Randy Lengyel, Utilities Analyst III, Water and Wastewater Division. Both Districts provide water and sewer service. The Mineral County Commission seeks to establish one public service district, the Frankfort Public Service District, to serve both geographical areas. Staff indicated that the Mineral County Commission's filing did not include two necessary items of information and that, once these were received, Staff would make a recommendation within the time guidelines set by the Commission. Staff recommended that the matter be referred to the Division of Administrative Law Judges for disposition.

On March 15, 2005, Staff filed its First Set of Interrogatories, Data Requests or Requests for Information upon the Mineral County Commission.

By Order dated March 23, 2005, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before September 23, 2005.

On May 16, 2005, the Mineral County Commission submitted the information requested by Staff in its interrogatories.

By Procedural Order dated May 25, 2005, the Mineral County Commission was directed to file with the Commission a copy of its Order that set its consolidation proposal for the February 8, 2005 public hearing.

On June 6, 2005, the Mineral County Commission filed a copy of its resolution and order proposing the merger of the Fort Ashby and Frankfort

Public Service Districts and setting the date of the public hearing, as directed by the Order of May 25, 2005.

On June 7, 2005, Staff Attorney Cecelia Jarrell filed a Final Joint Staff Memorandum, to which was attached the Final Internal Memorandum prepared by Mr. Randy Lengyel, Utilities Analyst III, Water and Wastewater Division. Staff opined that the merger proposed will result in more efficient and cost-effective operations, allow the consolidation of several functions and stabilize operation and maintenance expense. The Mineral County Commission had submitted documentation regarding its compliance with the requirements of West Virginia Code §16-13A-2.

Commission Staff, upon reviewing the information submitted, provided the following recommendations:

- (1) Approval of the Mineral County Commission's petition to merge the Fort Ashby Public Service District water and sewer operations into the Frankfort Public Service District water and sewer operations, contingent upon the Districts' bondholders granting their consent and approval to the acquisition and merger.
- (2) The cash assets of the Fort Ashby Public Service District, other than the restricted bond reserve, shall be placed in an interest bearing account for future repairs, replacement and extensions of its water and sewer systems. The accrued interest from this account remains part of the account.
- (3) The new Frankfort Public Service District shall adopt the Fort Ashby Public Service District's water and sewer tariffs and continue to charge the former Fort Ashby customers by these tariffs. The new District shall maintain a separate financial and statistical account of the former Fort Ashby water and sewer operations.
- (4) After all financial obligations of Fort Ashby are met, any surplus cash shall be deposited into the restricted cash account as set forth in Recommendation No. 2. This applies to both the water and sewer operations of both Districts.
- (5) Approval by Frankfort Public Service District to acquire the water and sewer assets of the Fort Ashby Public Service District.
- (6) Approval by Frankfort Public Service District to assume the outstanding water and sewer debt of the Fort Ashby Public Service District.
- (7) The Frankfort Public Service District and the Fort Ashby Public Service District obtain approval from their bondholders concerning this acquisition. This applies to both the water and sewer operations of both Districts.

- (8) The existing customers of the Fort Ashby Public Service District continue to pay the rates and charges currently in effect for Fort Ashby for a period of 18 months. This applies to both the water and sewer operations of both Districts.
- (9) The Frankfort Public Service District apply to the Commission for a rate review 18 months after the Commission issues a Final Order in this case for both the water and sewer operations of both Districts.
- (10) The Frankfort Public Service District record the amount of \$1,995,324 as the net book value of the Frankfort Public Service District's net water utility plant and \$1,340,918 as the net book value for the net sewer utility plant.

By Procedural Order dated June 8, 2005, this matter was set for hearing to be held in Wiley Ford, West Virginia, on July 14, 2005, and the County Commission was ordered to publish a Notice of Hearing.

The hearing was held as scheduled. The Mineral County Commission was represented by Michael Bland, County Coordinator, and by Mr. Wayne Spiggle, Mineral County Commissioner. Commission Staff was represented by Cecelia Jarrell, Esquire. No one appeared in protest to the County Commission's petition. A proper affidavit was submitted reflecting that publication of the Notice of Hearing was made in accordance with the Commission's requirements. The Final Joint Staff Memorandum prepared by Mr. Randy Lengyel was received in evidence as Staff Exhibit No. 1. No other evidence was taken since no one appeared to protest. (Tr. pp. 5-7).

#### FINDINGS OF FACT

1. The Mineral County Commission filed its February 8, 2005 Order merging the Fort Ashby Public Service District and the Frankfort Public Service District for Commission approval. (See, Order filed February 25, 2005).

2. The Mineral County Commission intends to establish one public service district, the Frankfort Public Service District, to serve both geographical areas for both water and sewer. (See, Initial Joint Staff Memorandum filed March 14, 2005).

3. Commission Staff reviewed the proposal and concluded that the proposed merger will result in a more cost-effective operation. In addition, Staff made nine other recommendations, as set forth on Appendix A to this Order. (See, Final Joint Staff Memorandum filed June 7, 2005; Appendix A, attached to this Order).

4. This matter was set for hearing to be held in Wiley Ford, West Virginia, on July 14, 2005. Said Order also provided that the Mineral County Commission give notice of the hearing once. (See, Order dated June 8, 2005).

5. A proper affidavit of publication was submitted reflecting that the Notice of Hearing was published in accordance with the Commission's requirements in News-Tribune, on July 1, 2005. (See, Affidavit of Publication in case file).

6. At the hearing, no one appeared in protest to the Mineral County Commission's petition. (See, Tr., p. 6).

#### CONCLUSION OF LAW

Since the Mineral County Commission has given proper notice of the hearing to be held on July 14, 2005, in accordance with the provisions of West Virginia Code §16-13A-2, and no one appeared at the hearing in protest to the Mineral County Commission's petition, and since Commission Staff has reviewed the proposal and concluded that it was reasonable, the February 8, 2005 Order of the Mineral County Commission, merging the Fort Ashby Public Service District and the Frankfort Public Service District, should be approved, subject to the conditions and recommendations set forth in Appendix A to this Order.

#### ORDER

IT IS, THEREFORE, ORDERED that the February 8, 2005 Order of the Mineral County Commission merging the Fort Ashby Public Service District into the Frankfort Public Service District, be, and the same hereby is, approved, contingent upon the Districts' bondholders granting their consent and approval of the acquisition and merger.

IT IS FURTHER ORDERED that the Mineral County Commission implement the nine (9) recommendations made by Staff in its Final Joint Staff Memorandum of June 7, 2005, as set forth in Appendix A to this Order.

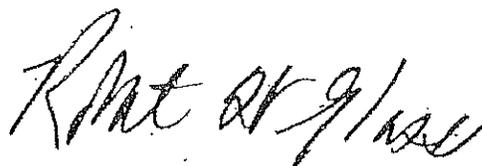
The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

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.



Robert W. Glass  
Administrative Law Judge

RWG:dfs  
050255ab.wpd

MINERAL COUNTY COMMISSION  
CASE NO. 05-0255-PSWD-PC

STAFF RECOMMENDATIONS

(1) The cash assets of the Fort Ashby Public Service District, other than the restricted bond reserve, shall be placed in an interest bearing account for future repairs, replacements and extensions of its water and sewer systems. The accrued interest from this account remains part of the account.

(2) The new Frankfort Public Service District shall adopt the Fort Ashby Public Service District's water and sewer tariffs and continue to charge Fort Ashby customers by these tariffs. The new District shall maintain a separate financial and statistical account of Fort Ashby's water and sewer operations.

(3) After all financial obligations of Fort Ashby are met, any surplus cash shall be deposited into the restricted cash account. This applies to both the water and sewer operations of Fort Ashby.

(4) Approval by the Frankfort Public Service District to acquire the water and sewer assets of the Fort Ashby Public Service District.

(5) Approval by the Frankfort Public Service District to assume the outstanding water and sewer debt of the Fort Ashby Public Service District.

(6) The Frankfort Public Service District and the Fort Ashby Public Service District obtain approval from their bondholders concerning this acquisition. This applies to the water and sewer operations of both Districts.

(7) The existing customers of the Fort Ashby Public Service District continue to pay the rates and charges currently in effect for that District for a period of eighteen (18) months. This applies to both the water and sewer operations of Fort Ashby.

(8) The Frankfort Public Service District apply to the Commission for a rate review eighteen (18) months after the Commission issues a Final Order in this case. This applies to both the water and sewer operations of both Districts.

(9) The Frankfort Public Service District record the amount of \$1,995,324 as the net book value of the Fort Ashby Public Service District's net water utility plant and \$1,340,918 for the net sewer utility plant.

A RESOLUTION AND ORDER RECOMMENDING THE MERGER OF  
FORT ASHBY AND FRANKFORT PUBLIC SERVICE DISTRICTS

RECEIVED

FEB 25 AM 8:51

WHEREAS, the County Commission of Mineral County created the Fort Ashby Public Service District, a public corporation, on September 12, 1961, for the purpose of constructing, operating and maintaining a water/sewer system for the residents of the community of Fort Ashby and adjacent areas, and

WHEREAS, the County Commission of Mineral County created the Frankfort Public Service District, a public corporation, on April 15, 1974, for the purpose of constructing, operating and maintaining a water/sewer system for the residents of the Frankfort Taxation District, excluding the area served by the Fort Ashby Public Service District and the incorporated areas of the Town of Carpendale and Town of Ridgeley, and

WHEREAS, the County Commission did by Resolution and Order adopted on January 11, 2005 propose the merger of the Fort Ashby Public Service District with the Frankfort Public Service District and fixed a date for a public hearing on the proposed merger of said Public Service Districts, and in and by said Resolution and Order did provide all persons residing in or owning or having any interest in property in the area of the proposed merger, an opportunity to appear before the County Commission to be heard for and against the merger of said Districts, and

WHEREAS, notice of the public hearing was duly given in the manner provided and required by Chapter 16, Article 13A, Section 2 of the West Virginia Code, as amended, and all interested persons have been afforded an opportunity of being heard for and against the merger of said Public Service Districts, and

WHEREAS, the County Commission, after giving due consideration to public comments received and having previously received letters of support for the proposed merger from the respective Public Service Districts, does now deem it advisable to adopt a Resolution and Order recommending the merger of the Fort Ashby Public Service District with the Frankfort Public Service District.

NOW THEREFORE it is hereby Resolved and Ordered by the County Commission of Mineral County as follows:

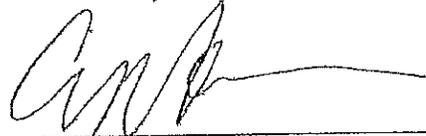
Section 1. That the County Commission finds and recommends that the Fort Ashby Public Service District be merged with the Frankfort Public Service District.

Section 2. That the County Commission finds that the merger of the two districts will allow the consolidation of administrative and billing services; provide for more effective use of staff in performing operation and maintenance responsibilities; and reduce or stabilize operation and maintenance costs for individual customers through more efficient provision of service; enhance the District's ability to pursue capital improvement projects and provide a higher level of service for area residents.

Section 3. That the County Commission shall, at such time as the recommended merger is approved by the West Virginia Public Service Commission, appoint a new board to manage the newly merged Frankfort Public Service District. The board of the District shall be increased to five members, appointed from the respective service areas of the District.

Section 4. That the County Clerk is hereby authorized to forward a certified copy of this Resolution and Order to the Executive Secretary of the West Virginia Public Service Commission pursuant to the provisions of Chapter 16, Article 13A, Section 2 of the West Virginia Code, as amended:

Given under my hand this the 8<sup>th</sup> day of February, 2005.



Cynthia L. Pyles,  
President

Attest:



Isaac A. Alt,  
County Clerk

Mineral County Commission  
PUBLIC HEARING  
Merger of Fort Ashby/Frankfort Public Service District  
February 8, 2005

President Cindy Pyles, Commissioner Janice LaRue and Commissioner Wayne Spiggle were present for the public hearing. Also present were Isaac Alt, Clerk and Debbie Weasenforth, Deputy Clerk.

President Cindy Pyles opened the floor for discussion for and against the merger between Fort Ashby and Frankfort Public Service Districts. Craig Etchison, resident of Fort Ashby expressed that he was against the merger stating, "The existing system is being run effectively and economically. The merger would cause more debt." Mr. Etchison questioned the commission if the consent one way or another (for/against) would mean a decision as to who was building the new sewer project and he was assured this hearing was for the decision on the merger only.

At this time, Coordinator Mike Bland read written public comments from:

Linda & Gary Durr  
Larry Bower  
Kolin Jan  
Harold Hershberger  
Donald Graham  
David Welker

RECEIVED  
2005 FEB 25 AM 8:51  
W VA PUBLIC SERVICE  
COMMISSION  
SECRETARY'S OFFICE

Prior to the February 8<sup>th</sup> public hearing, the commission scheduled two public meetings to obtain public comment. The first meeting was held January 24<sup>th</sup> at Frankfort High School; the second was held at the Fort Ashby Volunteer Fire Department on February 3<sup>rd</sup>.

The Commission also received letters of support for the merger from Frankfort and Fort Ashby Public Service District.

With there being no further comments and/or discussion, Commission Wayne Spiggle made a motion to approve the merger of Fort Ashby and Frankfort Public Service District; Commissioner Janice LaRue seconded the motion. Unanimous.



Cynthia Pyles, President  
Mineral County Commission

State of West Virginia, Mineral County, to-wit:  
Be it remembered that on this 8th  
day of February, 2005. The  
going Public Hearing Minutes was  
presented in the Office of the Clerk of County  
Commission and admitted to record.  
Isaac A. Alt  
Clerk of County Commission

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 Hearing Mineral County Commission Case 05-0255-PSWD-PC vs. \_\_\_\_\_

a copy whereof is hereto annexed has been published for 1 consecutive day

in said NEWS TRIBUNE, the first publication being on the 1st day of July 2005

Given under my hand at Keyser this 1st day of July 2005

Randy Lewis  
Publisher

Publisher's Fee  
\$ 19.32

W. VA. PUBLIC SERVICE COMMISSION  
SECRETARY'S OFFICE

2005 JUL 19 PM 3:36

REC-110

**130 Legal Notices**

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

CASE NO. 05-0255-PSWD-PC  
MINERAL COUNTY COMMISSION  
Petition for consent and approval of the merger of the Fort Ashby and Frankfort Public Service Districts.

**NOTICE OF HEARING**

On February 25, 2005, the Mineral County Commission filed a petition seeking approval of its February 8, 2005 Order, merging the Fort Ashby Public Service District and the Frankfort Public Service District, in accordance with the provisions of West Virginia Code §16-13A-2.

A hearing is scheduled to be held on this petition at the Wiley Ford Volunteer Fire Department, Spring Street, Wiley Ford, West Virginia, on July 14, 2005, at 9:30 a.m. Any one wishing to protest this petition must appear in person to voice their protest.

MINERAL COUNTY COMMISSION

2/2/05

RECEIVED

February 3, 2005  
Public Hearing

Proposing the Merger of the Fort Ashby Public Service District with  
The Frankfort Public Service District

2005 FEB 25 AM 9:52

WEST VIRGINIA PUBLIC SERVICE  
COMMISSION  
SECRETARY'S OFFICE

CALL TO ORDER: 7:00 PM

MEMBERS PRESENT: President Cindy Pyles, Commissioner Janice LaRue and  
Commissioner Wayne Spiggle. County Clerk, Isaac Alt-County Coordinator, Mike Bland  
and County Clerk Deputy, Debbie Weasenforth

County Coordinator Mike Bland presented a handout of general information to all those  
who attended. There were 29 people who attended the public hearing. Mike explained  
that it had come to the attention of the Commission that the residents of both the Fort  
Ashby Public Service District and the Frankfort Public Service District can be more cost  
effectively served through a common Public Service District Board. The Commission  
issued a resolution and order proposing the merger of the two separate public service  
districts on January 11, 2005.

Coordinator Bland further explained benefits of the merger as follows:

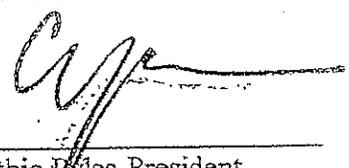
- Would provide for more efficient and cost effective operations
- Would allow the consolidation of administrative and billing services
- More flexibility in scheduling operations and maintenance staff
- Stabilize operations and maintenance cost by expanding the customer base.
- The larger district would be more competitive in obtaining State and Federal funds to improve and expand services

All those in attendance of the public hearing were extended the opportunity to speak in a  
public forum to express their opinions either for or against the merger. Several questions  
were asked. Fort Ashby resident Steve Miller expressed that he felt it was unfair that Fort  
Ashby would have to subsidize the system at Frankfort. He acknowledges that he didn't  
know the answer to the current problems but that Fort Ashby had a current sewer system  
that needed fixed. Mr. Miller pointed out that if the merger were approved, their sewer  
rates would double and be close to within the top 10% of those statewide yet county  
wages for citizens do not match the increase.

It was announced that the Commission would be conducting a public hearing on this  
matter on February 8, 2005 from 1:00-2:00 PM in the Mineral County Commission  
Meeting Room. All those in attendance were given a public comment sheet to fill out,  
further expressing their opinions for the Commission to consider and determine the  
feasibility of the merger.

The public hearing was adjourned at 8:45 PM.

County Clerk of West Virginia, Mineral County, to-wit:  
Be it remembered that on this 3rd  
of February, 2005. The  
going Public Hearing Minutes was  
presented in the Office of the Clerk of County  
Commission and admitted to record.  
Isaac A. Alt  
Clerk of County Commission

  
Cynthia Pyles-President  
Mineral County Commission

1/26/05

AFFIDAVIT

Comes now your Affiant, Michael C. Bland, County Coordinator of Mineral County, West Virginia and after being duly sworn says as follows:

1. That the attached Notice of Public Hearing proposing the merger of the Frankfort and Fort Ashby Public Service Districts was posted at the following locations on January 26, 2005:

- Fort Ashby Post Office
- BB&T Bank, Fort Ashby
- M&T Bank, Fort Ashby
- Fort Ashby Library
- FNB Bank, Fort Ashby
- Mountaineer Mart, Short Gap
- Old Furnace Restaurant, Short Gap
- Old Furnace Store, Short Gap
- Wiley Ford Post Office
- Blankenships Store, Wiley Ford

RECEIVED  
 2005 FEB 25 AM 8:51  
 W. VA. PUBLIC SERVICE  
 COMMISSION  
 SECRETARY'S OFFICE

Further the Affiant saith not

  
 Michael C. Bland

State of West Virginia,  
County of Mineral, to-wit:

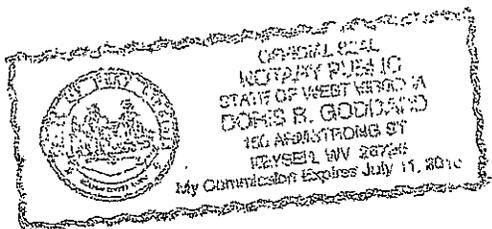
I, Michael C. Bland, named in the foregoing Affidavit, being by me first duly sworn, upon his oath deposes and says that the facts and allegations contained herein are true except so far as they are herein stated to be upon information, he believes them to be true.

  
 Michael C. Bland

Taken, sworn to and subscribed before me by the said Michael C. Bland, this 23<sup>rd</sup> day of February, 2005.

My Commission Expires: July 11, 2010

  
 Notary Public



NOTICE OF PUBLIC HEARING ON ACTION OF  
THE MINERAL COUNTY COMMISSION PROPOSING THE MERGER OF  
THE FORT ASHBY PUBLIC SERVICE DISTRICT WITH  
THE FRANKFORT PUBLIC SERVICE DISTRICT  
AS PROVIDED FOR IN CHAPTER 16, ARTICLE 13A  
OF THE WEST VIRGINIA CODE, AS AMENDED

Notice is hereby given that the County Commission of Mineral County, West Virginia, will hold a public hearing on the advisability of merging the Fort Ashby Public Service District with the Frankfort Public Service District, public corporations serving portions of Mineral County, West Virginia. All residents are hereby notified that the Mineral County Commission, upon its own motion, has instituted this action for the purpose of improving and expanding water and/or sewer services to the areas served by the said Districts. The date of creation and respective service areas are as follows:

The County Commission of Mineral County created the Fort Ashby Public Service District, a public corporation, on September 12, 1961, for the purpose of constructing, operating and maintaining water/sewer systems for the residents of the community of Fort Ashby and adjacent areas, and

The County Commission of Mineral County created the Frankfort Public Service District, a public corporation, on April 15, 1974, for the purpose of constructing, operating and maintaining water/sewer systems for the residents of the Frankfort Taxation District, excluding the area served by the Fort Ashby Public Service District and the incorporated areas of the Town of Carpendale and the Town of Ridgeley.

Note: The intent of this action is to establish one public service district, the Frankfort Public Service District, to serve both of the above described areas.

You are further advised that all persons residing in or owning or having an interest in property in either the Fort Ashby Public Service District or Frankfort Public Service District shall have the opportunity to be heard for or against the proposed merger. The County Commission shall at that time consider and determine the feasibility of the merger of said Public Service Districts. Said hearing shall be conducted on February 8, 2005 at 1:00 PM, at the County Commission Meeting Room, Mineral County Courthouse, 150 Armstrong Street, Keyser, West Virginia, at that time all parties are advised to be present and to be heard.

Respectfully notified this the 24<sup>th</sup> day of January, 2005.

  
Isaac A. Alt, Clerk  
Mineral County Commission

I, as an officer of the News-Tribune, a daily newspaper published at Keyser, Mineral County, West Virginia, hereby certify that the Notice of Public Hearing in the case of Merger of Fort Ashby and Frankfort Public Service vs. Districts

a copy whereof is hereto annexed has been published for 1 consecutive day

in said NEWS TRIBUNE, the first publication being on the 24th day of, January 2005

Given under my hand at Keyser this 24th day of January, 2005

*W. A. ...*

NOTICE OF PUBLIC HEARING.  
On Action of the Mineral County Commission Proposing the Merger of The Fort Ashby Public Service District with the Frankfort Public Service District as Provided for the Chapter 16, Article 13A of the West Virginia Code, As Amended.  
Notice is hereby given that the County Commission of Mineral County, West Virginia, will hold a public hearing on the advisability of merging the Fort Ashby Public Service District with the Frankfort Public Service District, public corporations serving portions of Mineral County, West Virginia. All residents are hereby notified that the Mineral County Commission upon its own motion, has instituted this action for the purpose of improving and expanding water and/or sewer services to the areas served by the said Districts. The date of creation and respective service areas are as follows:  
The County Commission of Mineral County created the Fort Ashby Public Service District, a public corporation, on September 12, 1961, for the purpose of constructing, operating and maintaining water/sewer systems for the residents of the community of Fort Ashby and adjacent areas, and  
The County Commission of Mineral County created the Frankfort Public Service District, a public corporation, on April 15, 1974, for the purpose of constructing, operating and maintaining water/sewer systems for the residents of the Frankfort Taxation Dis-

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2005 FEB 25 AM 8:51  
W. VA. PUBLIC SERVICE COMMISSION  
SECRETARY'S OFFICE

1/24/05

RECEIVED

January 24, 2005  
Public Hearing

Proposing the Merger of the Fort Ashby Public Service District with  
The Frankfort Public Service District

2005 FEB 25 AM 8:51

WEST VIRGINIA PUBLIC SERVICE  
COMMISSION  
SECRETARY'S OFFICE

CALL TO ORDER: 7:00 PM

MEMBERS PRESENT: President Cindy Pyles. Commissioner Janice LaRue and  
Commissioner Wayne Spiggle. County Clerk, Isaac Alt-County Coordinator, Mike Bland  
and County Clerk Deputy, Debbie Weasenforth

County Coordinator Mike Bland presented a handout of general information to all those  
who attended. There were 18 people who attended the public hearing. Mike explained  
that it had come to the attention of the Commission that the residents of both the Fort  
Ashby Public Service District and the Frankfort Public Service District can be more cost  
effectively served through a common Public Service District Board. The Commission  
issued a resolution and order proposing the merger of the two separate public service  
districts on January 11, 2005.

Coordinator Bland further explained benefits of the merger as follows:

- Would provide for more efficient and cost effective operations
- Would allow the consolidation of administrative and billing services
- More flexibility in scheduling operations and maintenance staff
- Stabilize operations and maintenance cost by expanding the customer base
- The larger district would be more competitive in obtaining State and Federal funds to improve and expand services

All those in attendance of the public hearing were extended the opportunity to speak in a  
public forum to express their opinions either for or against the merger. Although several  
questions were asked, no one expressed an interest in speaking openly. It was announced  
that there would be another public hearing on February 3, 2005 at 7:00 PM to be held at  
the Fort Ashby Volunteer Fire Department and the final hearing to be held on February 8,  
2005 at 1:00 PM in the Mineral County Commission Meeting Room. All those in  
attendance were given a public comment sheet to fill out, further expressing their  
opinions for the Commission to consider and determine the feasibility of the merger.

The public hearing adjourned at 7:54 PM.

State of West Virginia, Mineral County, to-wit:  
Be it remembered that on this 24th  
day of January, 2005. The  
foregoing Public Hearing Minutes was  
presented in the Office of the Clerk of County  
Commission and admitted to record.  
Isaac A. Alt  
Clerk of County Commission

  
Cynthia Pyles-President  
Mineral County Commission

FRANKFORT PUBLIC SERVICE DISTRICT  
P.O. BOX 80  
WILEY FORD, WEST VIRGINIA 26767  
PHONE 304-738-9552 FAX 304-738-9552  
OFFICE: RT, 28, KNOBLEY ESTATES

February 9, 2004

Mineral County Commission

Re: Merger or consolidation of Frankfort and Fort Ashby  
P.S.D.s and acceptance of Regional Sewer System.

Frankfort P.S.D. board members agree that in the best interest of the residents to be served by the proposed Northern Mineral County Regional Sewer System it would improve efficiency and cost effectiveness to combine Fort Ashby and Frankfort P.S.D.s into one P.S.D. employing a knowledgeable engineering manager. It is our recommendation that current employees of both P.S.D.s suffer no loss of jobs or benefits due to this proposed consolidation.

It is further recommended by F.P.S.D. board members that the commission proceed with the facility plan for the above regional sewer system so long as sufficient funding can be obtained to ensure that the monthly average rate for 4500 gallons not exceed \$34.00.

The average rate of \$34.00 is based on two facts: (1) When the commission originally requested a feasibility study, F.P.S.D. said to proceed if anticipated rates would not exceed those of Wiley Ford which went in service in Sept. 2001 with an average monthly rate of \$32.00. (2) We are told that the rate is based on family median income which in turn determines the amount of grants obtainable and that the Wiley Ford rate was based on the 1990 census. The Mineral County family median income from 1990 to 2001 increased only 4.8% which could possibly, if being very liberal, justify an increase of \$1.54 on the Wiley Ford average rate of \$32.00. In addition the city of St. Albans, W.V., among other, put a new system in service in Oct. 2001 with an average monthly rate of \$28.70.

We realize this proposed sewer system is needed, we want it, and nothing short of a national or world holocaust will stop it, but we sincerely request that our county, state, and federal representatives of "we the people" use good judgement and consideration in the allocation of funding to keep the customers monthly bills somewhat affordable, fair and just. The desire is to provide an

environment that people will want to move into rather than move out.

Thank you and may God bless you with wisdom and integrity.

Sincerely,

*Hugh H. Felton*  
TREASURER F.P.S.D.

HHF/bw

cc:

- Senator Robert Byrd
- Senator Jay Rockefeller
- Rep. Alan Mollohan
- Gov. Bob Wise
- Senator Jon B. Hunter
- Senator Sarah Menear
- Del. Allan Evans
- Del. Bob Schadler
- De. Jerry Mezzatesta

4/15/74

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. Eisnehour 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. Boules, 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.

FRANKFORT PUBLIC SERVICE DISTRICT--CREATION--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*  
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 W. 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

RECEIVED

7/11/61

JULY 16 AM 9:17

JULY 11, 1961

W.V. PUBLIC SERVICE DISTRICT  
SECTION 10  
OFFICE

EXONERATIONS

The court examined the applications for correction of erroneous assessments, and the same are approved.

James L. Bauer  
Charles R. Blaser  
Clinton Boyce  
James P. Broome  
Dice Crites

Harry J. or Mary Dawson  
Calvin Flanagan  
Richard Fridley  
Paul K. Hoover  
Claus M. Keplinger

Jacob F. Litten  
William R. Perry, Jr.  
Richard O. Riley  
Joseph F. Semm  
Charles E. Shears

FORT ASHBY PUBLIC SERVICE DISTRICT

IN THE COUNTY COURT OF MINERAL COUNTY, WEST VIRGINIA

In Re: CREATION OF A PUBLIC SERVICE DISTRICT

On this the 11th day of July, 1961, at a regular July session of the County Court of Mineral County, West Virginia, there came before this honorable court then sitting for determination the creation of a Public Service District for the area of Fort Ashby in Frankfort District of Mineral County, West Virginia, and the Court then considered the request of interested persons in this area designated as a steering committee for the creation of a Public Service District which request in the form of a report was presented at the regular June session of this said County Court and upon due consideration of this matter the County Court feels that the creation of the Fort Ashby Public Service District will be conducive to the preservation of public health, comfort and convenience of this area.

2. WHEREFORE, the County Court of Mineral County, West Virginia, of its own motion, duly moved, seconded and approved, and by this order duly adopted does propose the creation of the Fort Ashby Public Service District which will include the general area of the Town of Fort Ashby in Frankfort District of Mineral County, West Virginia, a more particular description as follows:

Beginning at a stake in a field, land owned by Fred Siple; thence S. 30° 18' E. a distance of 2263.00 feet to Patterson Creek, crossing said creek same bearing continued a distance of 944.71 feet, total distance of 3207.71 feet to a fence post in right of way line of W. Va. Secondary Road No. 15; thence with said right-of-way line S. 55° 31' W. a distance of 443.99 feet to a stake by a power pole in said right-of-way line; thence, crossing said W. Va. Secondary Road No. 15 and along the property line of The Board of Education, S. 30° 18' E. a distance of 782.85 feet to a concrete Monument, corner to said Board of Education and in property line of Ralph Barnes and Fred Larsen; thence with said Barnes and Larsen S. 71° 56' W. a distance of 229.64 feet to a hickory tree corner of said Barnes and James Allen; thence with said Barnes and Allen and passing a Swamp Oak on other corner of said Barnes and Allen in said Public Service District line S. 14° 54' E. a distance of 595.08 feet to an eight inch Black Oak in or near the property line of K. R. Batzliffe and James Allen; thence S. 28° 21' W. a distance of 1744.00 feet to a stake on a ridge; thence S. 1° 54' W. a distance of 955.85 feet, crossing a deep hollow and ridge to a twenty inch Black Oak on the east side of a ridge; thence S. 52° 11' W. a distance of 402.77 feet to a point on S.W. corner of concrete Headwall of Route W.Va. 28; thence crossing Route 28 and up W.Va. Secondary Route 28/5, S. 64° 27' W. a distance of 557.80 feet to a stake on the west side of said Route 28/5; thence with west side of said Route 28/5 S. 11° 45' W. a distance of 229.00 feet to an eighteen inch Black Walnut; thence leaving said Route 28/5 S. 63° 43' W. a distance of 1102.34 feet to an eighteen inch Black Oak on a knoll; thence, N. 29° 36' W. a distance of 653.99 feet to a fence post corner to Dowden and Riley in Shanholtz line; thence with Dowden, Stallings and Riley line N. 35° 32' W. a distance of 1580.09 feet to an eight inch elm near corner of Stallings and in Riley line; thence across Riley's land S. 42° 28' W. a distance of 1069.50 feet to a double Thorn Tree in Bower's line; thence with Bower and Riley N. 35° 25' W., crossing Route W.Va. 46 at 530.00 feet, old Mill Race at 1772.00 feet and Patterson Creek at 3448.00 feet, a distance of 3698.69 feet to three Chestnut Oaks growing from one stump; thence N. 34° 55' E. a distance of 2951.85 feet to a 4 inch Elm on a ridge 325 feet more or less northwest of W. B. Helmick's house; thence N. 43° 29' E. crossing W.Va. Secondary Road No. 28/4, a distance of 1398.27 feet to a fourteen inch Pine on ridge; thence N. 62° 08' E. a distance of 1262.73 feet to an eight inch Hickory Tree; thence S. 85° 01' E., crossing Route W.Va. 28 at the intersection of W.Va. Secondary Route 28/3, a distance of 1517.09 feet to the beginning, containing 1.277 square miles

The County Court does hereby set Tuesday, the 8th day of August, 1961, at the hour of 11:00 a.m. D.D.T. at the Court House in Keyser, Mineral County, West Virginia, for a hearing on the creation of the Fort Ashby Public Service District and does ORDER the Clerk of this Court to publish notice of this hearing in the Mineral Daily News Tribune.

O. A. Harman, President

COLLECTIONS

The County Clerk reports that he has received the following amounts due the County, and the same have been turned over to the Sheriff to be deposited in the General County Fund:

Department of Public Safety, State Police Office Rent for May, 1961	25.00
Treasurer of the United States, Office Rent Internal Revenue June 1961	35.00
County Farm Rental	562.50
City of Keyser, City Prisoners for month of May 1961	29.00

BILLS PAID

The following bills were examined, approved and ordered paid:

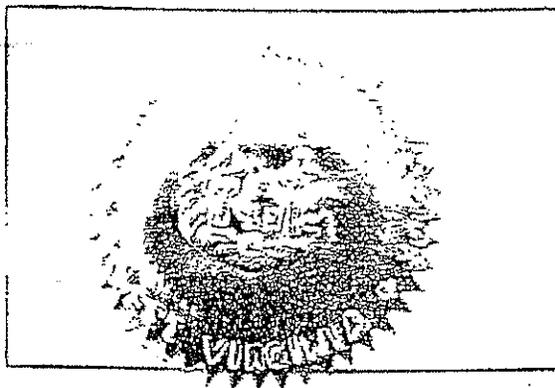
Social Security Contribution Fund	599.47	5960
Harry O. Rogers, Postmaster	40.00	5961
C. and A. Gas Company	48.19	5962
Potomac Light & Power Company	174.85	5965
O. A. Harman	18.00	5964
John H. Bane	18.00	5965
Frank J. Shreve	18.00	5966
The C & P Telephone Co.	163.88	5967

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, 1997

Ruby L. Staggs  
Clerk of the County Commission

By Barbara T. Keener



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 Cocaresville, 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 Tyle. 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.

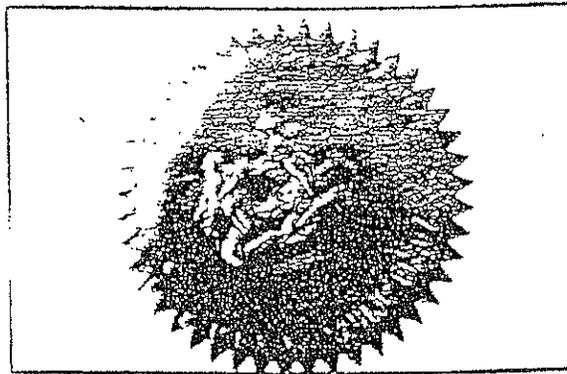
And it appearing to the Court that at a prior session of this Court an order was entered on the 11th day of December, 1973, directing the President of the Court to assemble data concerning the advisability of re-locating and re-establishing the boundary lines of the several voting precincts of Mineral 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. Lumber

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. Eisnehour 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.

~~FRANKFORT PUBLIC SERVICE DISTRICT~~--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

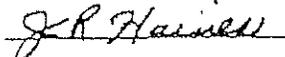
CREATION OF FRANKFORT PUBLIC SERVICE DISTRICT

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. MCGRAHY--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:

O R D E R

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. ...  
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

STAGGERS  
& WEBB  
ATTORNEYS AT LAW  
CYSER, WY 28724-0874

BOOK 273 PAGE 615

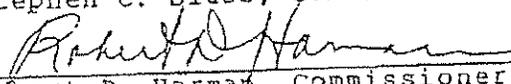
of election of the first election of the officers to be held in  
Carpendale as provided by West Virginia Code 8-5-2 et seq.

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 26724-0876

253-27613

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  
YEEN, WY 26726-0878

REC 207 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 30th day of January, 1990.

Wiley L. Stagers  
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.

WILEY STAGGS

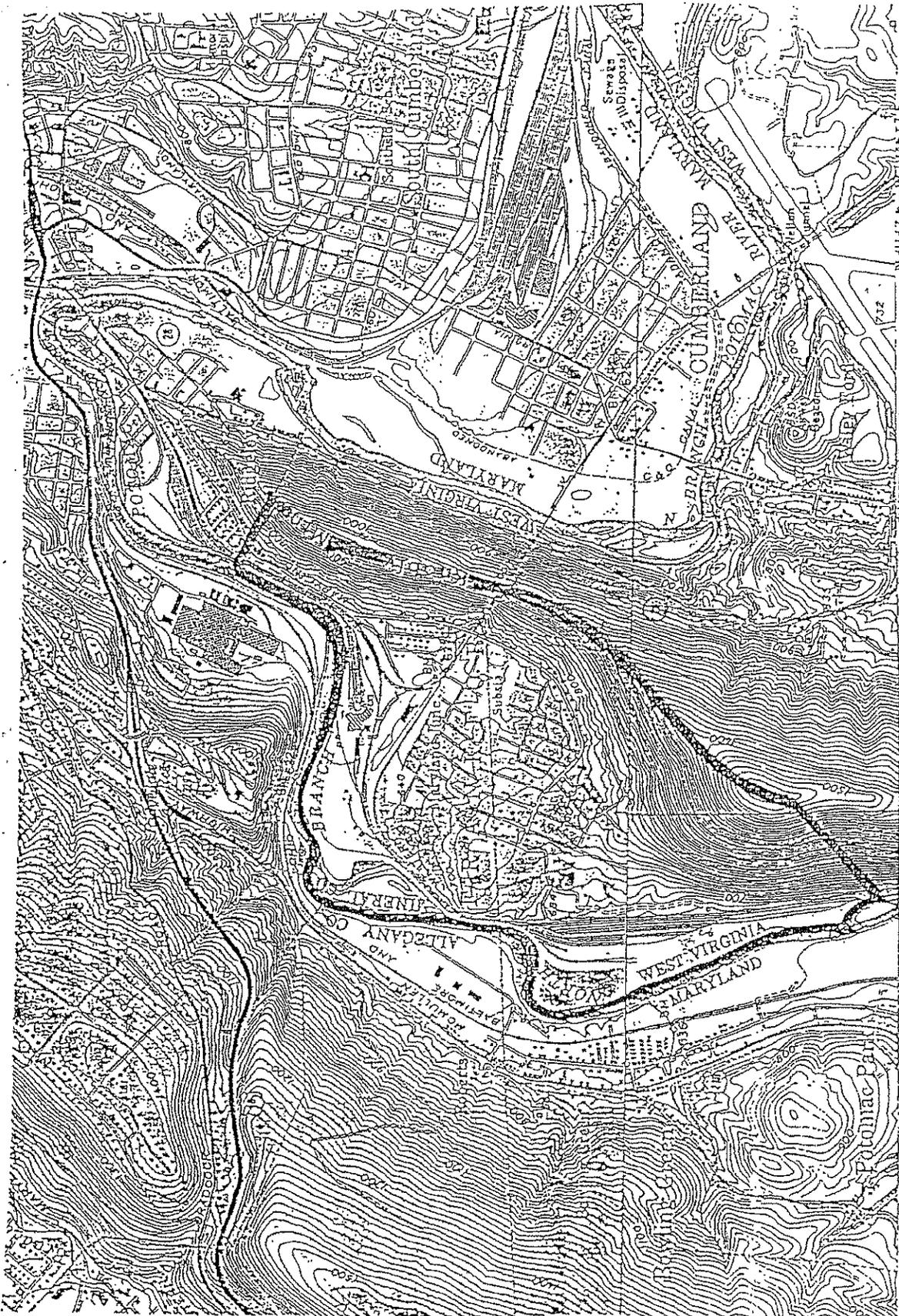
Clerk County Commission

CASTO & HARRIS INC., SPENCER, W. VA. RE-ORDER NO 92245-89

STAGGERS  
& WEBB  
ATTORNEYS AT LAW  
FERRIS, WV 26726-0878

BOOK 273 PAGE 13

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 8<sup>th</sup> 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

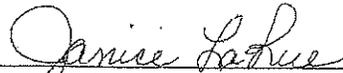
WHEREAS, the Commission, in anticipation of the consent from the bondholders to the merger, did take action to appoint members to the Frankfort Public Service District Board effective July 1, 2007.

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:

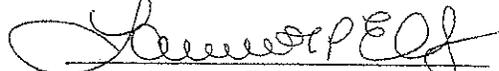
Paul Corwell	July 1, 2007 to June 30, 2009
Gerald Frantz	July 1, 2007 to June 30, 2009
✓ Douglas Brelsford	July 1, 2007 to June 30, 2011
✓ Douglas Kenney	July 1, 2007 to June 30, 2011
Blane Murray	July 1, 2007 to June 30, 2013

Further, each new appointment or reappointment shall be in compliance with West Virginia Code 16-13A-3.

Entered this the 25<sup>th</sup> day of March, 2008.

  
\_\_\_\_\_  
Janice LaRue, President

Attest:

  
\_\_\_\_\_  
Lauren T. P. Ellifritz, County Clerk

the motion. Motion unanimously approved. The request is for \$5,000. Copy of Resolution attached to minutes.

Patterson Creek Volunteer Fire Department – Community Building Repairs & Equipment

The Mineral County Commission desires to obtain funding on behalf of the Patterson Creek Volunteer Fire Department for repairs and equipment for the Patterson Creek Community Building. A Resolution is needed to allow the Commission President to be designated as the authorized official to act in connection with the application. Commissioner Pyles made a motion that the Commission President be authorized to sign all documents in connection with the application. Commissioner LaRue made a second to the motion. Motion unanimously approved. The request is for \$2,000. Copy of Resolution attached to minutes.

Ridgeley Volunteer Fire Department – EMS & Fire Equipment

The Mineral County Commission desires to obtain funding on behalf of the Ridgeley Volunteer Fire Department for the purchase of EMS and fire equipment. A Resolution is needed to allow the Commission President to be designated as the authorized official to act in connection with the application. Commissioner Pyles made a motion that the Commission President be authorized to sign all documents in connection with the application. Commissioner LaRue made a second to the motion. Motion unanimously approved. The request is for \$2,000. Copy of Resolution attached to minutes.

Warm the Children – Clothing for Low Income Children

The Mineral County Commission desires to obtain funding on behalf of Warm the Children for the purchase of winter clothing for needy Mineral County Children. A Resolution is needed to allow the Commission President to be designated as the authorized official to act in connection with the application. Commissioner Pyles made a motion that the Commission President be authorized to sign all documents in connection with the application. Commissioner LaRue made a second to the motion. Motion unanimously approved. The request is for \$3,000. Copy of Resolution attached to minutes.

Wiley Ford Volunteer Fire Department – Kitchen Upgrades

The Mineral County Commission desires to obtain funding on behalf of the Wiley Ford Volunteer Fire Department for renovations to the fire department kitchen. A Resolution is needed to allow the Commission President to be designated as the authorized official to act in connection with the application. Commissioner Pyles made a motion that the Commission President be authorized to sign all documents in connection with the application. Commissioner LaRue made a second to the motion. Motion unanimously approved. The request is for \$2,000. Copy of Resolution attached to minutes.

Magistrate Court Building – Rent Increase

A notice was received from Jack C. Barr requesting that rent for the space used by Magistrate Court be increased from the current amount of \$1,950 to \$3,000 per month. The County is currently allowed \$15,000 per year from the Magistrate Court Fund to pay expenses and the County pays the balance from the General County Fund. The rent does include utilities, janitorial services and maintenance. Commissioner LaRue made a motion to phase in or pay the increase. Commissioner Pyles made a second to the motion. Motion passed. Michael Bland will talk to Jack C. Barr to inquire if he would agree to phase in the rental increase, in consideration of the large increase and the willingness of the Commission to comply.

Community Preservation Resource Officer

A grant for \$52,600 has been awarded to fund Preservation Resource Offices (PRO) at Frankfort and Keyser High Schools.

Appointment of Frankfort PSD Member

Commissioner Pyles made a motion to approve the recommendation of the Board of Directors for the Frankfort PSD and appoint Jeffrey E. Adams to fill the unexpired term of Doug Kenney on the Frankfort PSD. Commissioner LaRue made a second to the motion. Motion passed.

I, do hereby certify that the foregoing is a true copy of Minutes June 22, 2010 recorded in book          Pages          in the Mineral County Records.

(seal) Lauren Ellis, Clerk

Mineral County Commission

Date 12/14/2010 By: Maureen Smith

Commissioner Pyles was concerned with giving that Commission something they can't act on. Commissioner Spiggle wants them to review it to decide if it should be added to the comprehensive plan for the county. Commissioner LaRue made a motion that the letter be referred to the Planning Commission for review to determine if it should be added to the comprehensive plan for the County. Commissioner Pyles made a second to the motion. Motion unanimously passed.

Reappointment of Gerald Frantz & Paul Corwell - Frankfort PSD

The current terms, on the Frankfort Public Service District, for Gerald Frantz and Paul Corwell expired on June 30, 2009. It is requested that they be reappointed for another term. Commissioner LaRue made a motion that Gerald Frantz and Paul Corwell be reappointed to the Frankfort Public Service District for an additional term. Commissioner Pyles made a second to the motion. Unanimously approved. The commission expressed their appreciation to both men for doing a fine job. The new terms will expire on June 30, 2015.

Court Security Grant - Grant Agreement & Resolution

The commission has been awarded a \$22,800 Grant from the Division of Criminal Justice Service. A Resolution needs to be adopted to authorize a representative to act on the commission's behalf. Commissioner Pyles made a motion to authorize Wayne C. Spiggle, President of the Mineral County Commission, to act on its behalf to enter into a contractual agreement with the Division of Criminal Justice Service to receive and administer grant funds pursuant to provisions of the Court Security Fund grant program. Commissioner LaRue made a second to the motion. Motion unanimously passed. The Grant will be used to purchase an alarm system, a new door for the Judge's Office and a hand held metal detector.

Region 3 Homeland Security - Grant Award Agreement

Marc Bashoor has been able to secure a Homeland Security Grant for the second year in a row. This years Grant is for \$840,000. A motion is needed to authorize the commission president to sign the Grant papers. Commissioner Pyles made a motion to authorize Wayne C. Spiggle, President of the Mineral County Commission, to act on its behalf to sign documents associated with the Homeland Security Grant. Commissioner LaRue made a second to the motion. Motion unanimously approved.

County Coordinators Report: None

Miscellaneous: None

Committee Reports:

Commissioner LaRue: None

Commissioner Pyles: None

Commissioner Spiggle: Commissioner Spiggle is very concerned about the changes in PEIA. He feels that the Attorney General needs to investigate PEIA for price gouging. PEIA just raised the rate the county pays by 12%. PEIA pays administration fees to three separate entities, Wells Fargo, Aetna and Express Scripts, to administer the plan. PEIA is now telling participants that they can not go out of state, to receive services from doctors

State of West Virginia, County of Mineral  
I, do hereby certify that the foregoing is a  
true copy of Minutes July 28, 2010  
recorded in book 25 Pages 768  
in the Mineral County Records.  
(seal) Lauren Ellifritz, Clerk  
Mineral County Commission  
Date 12/14/2010 By [Signature]

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, 2015.

to the best of my skill and judgement SO HELP ME GOD.

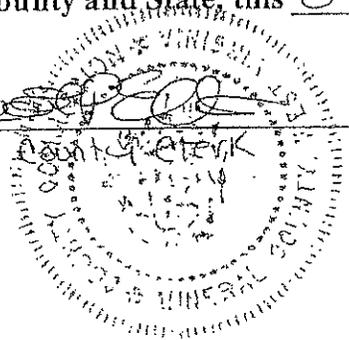
Print name and address:

Paul Corwell  
Route 1, Box 205  
Ridgeley, WV 26753

(Signature of affiant) Paul Corwell

Subscribed and sworn to before me, in said County and State, this 8<sup>th</sup>  
day of February, 2010.

Lauren Ellifritz  
Mineral County Clerk



State of West Virginia, Mineral County, to-wit:  
Be fore me on this 9<sup>th</sup>  
day of February 2010  
foregoing Paul Corwell was  
present and acknowledged to me, Clerk of County  
Commissioner Lauren Ellifritz  
Clerk of County Commission

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF MINERAL TO WIT:

I, Gerald L. 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, 2015.

to the best of my skill and judgement SO HELP ME GOD.

Print name and address:

Gerald L. Frantz

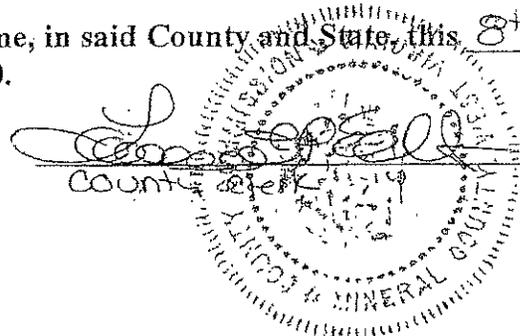
Route 2, Box 478-F

Ridgeley, WV 26753

(Signature of affiant)

Gerald L. Frantz

Subscribed and sworn to before me, in said County and State, this 8<sup>th</sup>  
day of February, 2010.



State of West Virginia, Mineral County, this 9<sup>th</sup> day of February 2010, I, Lauren Ellifretz, Clerk of County Commission, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the County Commission.

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 John was  
presented in the Office of the Clerk of County  
Commission and admitted to record.  
Lauren T. P. Ellifritz *je*  
Clerk of County Commission

*mls*

Mineral County Clerk  
DATE OF OFFICE Clerk 04  
Date/Time: 04/01/2008 16:26  
Inst #: 74793  
Book/Page: 4 / 380-  
Recd/Tax: .00 .00

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 28-0  
Wiley Ford, WV 25767

(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 Oath was  
presented in the Office of the Clerk of County  
Commission and admitted to record.  
Lauren T. P. Ellifritz  
Clerk of County Commission

web

MINERAL COUNTY 11:42:57 AM  
Instrument No 96202  
Date Recorded 07/30/2010  
Document Type OA  
Book-Page 5-113

**OATH OF OFFICE AND CERTIFICATE**

**STATE OF WEST VIRGINIA**

**COUNTY OF MINERAL TO WIT:**

I, Jeffrey E. Adams, do solemnly swear that

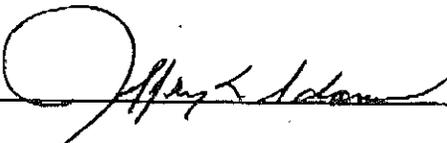
I will support the Constitution of The United States of America and the  
Constitution of the State of West Virginia and that I will faithfully

discharge the duties of Frankfort Public Service District Board Member  
for term ending June 30, 2011.

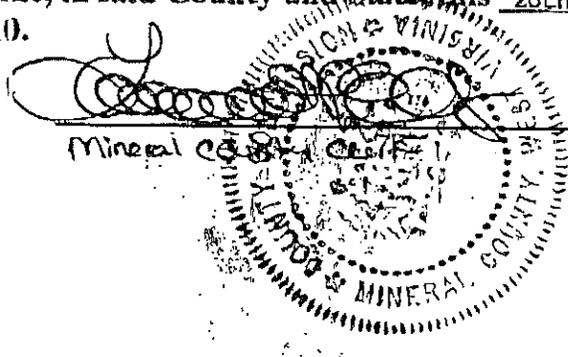
to the best of my skill and judgement **SO HELP ME GOD.**

**Print name and address:**

Jeffrey E. Adams  
P.O. Box 614  
Fort Ashby, WV 26719

(Signature of affiant) 

Subscribed and sworn to before me, in said County and State, this 26th  
day of July, 2010.



State of West Virginia, Mineral County, to-wit.  
Be it remembered that on this 30  
day of July 2010, The  
foregoing Oath was  
presented in the Office of the Clerk of County  
Commission and admitted to record.  
LARRY E. SMITH sb  
Clerk of County Commission

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 specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is

cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

## ARTICLE V

### OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

## ARTICLE VI

### DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

## ARTICLE VII

### AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 10th day of April, 2006.

04/06/06  
306370.00001

CH817075.1

Frankfort PSD Meeting 1-25-2010

Attendees: Doug Kenney, Jerry Frantz, Doug Brelsford, Blane Murray, Paul Corwell.

Old Business:

1. The commission discussed a start date and funding to bring Guy Kimble on at a part time basis. Jerry will have a plan drafted by the end of this week, January 29<sup>th</sup>, 2010.
2. Jerry Frantz talked to AT&T and was able to get credit on the text message fees charged to Derrick. The board agreed to return any payments made by Derrick. Bonnie Wilson has been written in as the administrator of the AT&T contract.

New Business:

1. Kelly Wagoner asked Doug Kenney to present a request of 1 additional hour per day to be worked giving her 5 - 7 hour days rather than 5 - 6 hour days. The board agreed to keep Kelly's hours at 5 - 6 hour days.
2. The state of West Virginia Public Employees Retirement System ( PERS) has levied a 6% increase from 11% for the total of 17% employer contribution. The increase becomes effective July 2010.
3. Bobbie Reynolds was given a compliment by a customer for extra efforts and his kind disposition during the holidays.
4. Jerry presented findings of the audit of the PSD books performed by Perry & Associates. When the minutes are typed up a statement must be added at the close of the minutes-- "The minutes were read and approved." Add a signature line as well for Blane to sign off on the completeness of the minutes. The PSD was advised to have someone responsible to sign off on the significant purchase orders. A purchase order system was discussed as something to be developed by the new PSD manager. Financial details can be found in the report submitted by Perry & Associates. Jerry Frantz motioned that the audit be accepted as submitted. Doug Kenney seconded. Pending administrative notes & signatures by commission members.
5. Dave Vanscoy submitted an entrance permit for the Wiley Ford Water Project for access to the water storage tank. Permit was signed by Blane Murray.
6. Bonnie sent Mike Bland an invoice that was received by the PSD for services rendered to perform surveys related to Wheeler, Boatman, Whitacre, Snell property easements. The invoice will be paid through the construction funds. Mike Bland will attempt to negotiate the fee which totaled \$6,240.00.
7. Mike Bland submitted a break down of the WV Infrastructure and Jobs Development Council for funding of the FPSD Northern Mineral County Sewer project.
8. Mike Bland submitted the IJDC Ban/Tif application for project funding of the sewer treatment facility for \$6,537,749.00.
9. Mike Bland submitted application for the water rate increase for water utilities for Short

Gap and Fort Ashby. Blane Murray signed and returned to Mike Bland.

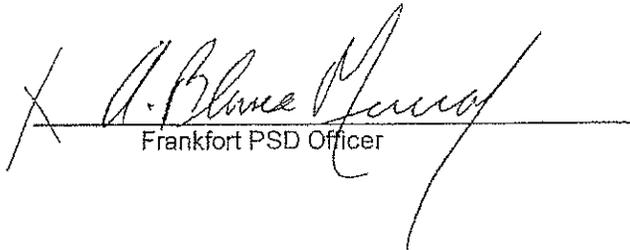
10. Mike Bland will ask Craig Miller to evaluate the water line situation developing between the Hall and Wallizer residences off of Alternate 28.
11. Jerry Frantz motioned to keep the officers of the PSD as is for the calendar year 2010. Doug Kenney seconded. Motion passed. God save us all.

Blane Murray--Chairman  
Doug Brelsford--Board member  
Jerry Frantz--Treasurer  
Doug Kenney--Board member  
Paul Corwell--Secretary

12. Dave Vanscoy submitted SOW change #5 for review related to Phase I of the Northern Mineral County Sewer Treatment Project totaling \$767,000.00.

The meeting concluded at 9:30PM.

The minutes were read and approved.

  
Frankfort PSD Officer

**FRANKFORT PUBLIC SERVICE DISTRICT**

**Water Revenue Bonds, Series 2010 A  
(West Virginia Infrastructure Fund)**

**EXCERPT OF MINUTES ON ADOPTION OF BOND RESOLUTION,  
SUPPLEMENTAL RESOLUTION, DRAW RESOLUTION  
AND SWEEP RESOLUTION**

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:

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The Public Service Board of Frankfort Public Service District met in regular session, pursuant to notice duly posted, on the 13th day of December, 2010, in Mineral County, West Virginia, at the hour of 6:30 p.m.

**PRESENT:**

A. Blane Murray	John Stump, Steptoe & Johnson
Paul Corwell	Mike Bland, Mineral County
Douglas Brelsford	Dave Vanscoy, RK&K
Gerald Frantz	
Jeff Adams	

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, 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**

\$3,240,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 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 Gerald Frantz and seconded by Jeff Adams, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman then 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 2010 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, upon motion duly made by Gerald Frantz and seconded by Douglas Brelsford, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Draw Resolution for the approval of invoices. Thereupon, on motion duly made by Blane Murray and seconded by Gerald Frantz, it was unanimously ordered that the said Draw Resolution be adopted.

Next, the Chairman presented a proposed Sweep Resolution for the authorization of electronic monthly debt service and reserve fund payments to the Municipal Bond Commission. Thereupon, on motion duly made by Jeff Adams and seconded by Gerald Frantz, it was unanimously ordered that the said Sweep Resolution be adopted.

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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.

[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.

Dated: December 22, 2010

  
Secretary

**WV MUNICIPAL BOND COMMISSION**

1207 Quarrier Street  
Suite 401  
Charleston, WV 25301  
(304) 558-3971

**NEW ISSUE REPORT FORM**

Date of Report: 22-Dec-10

ISSUE: Frankfort Public Service District  
Water Revenue Bonds, Series 2010 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: NA

ISSUE DATE: 22-Dec-10 CLOSING DATE: 22-Dec-10

ISSUE AMOUNT: \$3,240,000 RATE: 0%

1ST DEBT SERVICE DUE: 1-Sep-12 1ST PRINCIPAL DUE 1-Sep-12

1ST DEBT SERVICE AMOUNT \$21,039 PAYING AGENT: Municipal Bond Commission

BOND COUNSEL: Firm: Step toe & Johnson PLLC  
Contact John Stump, Esquire  
Phone: (304) 353.8196

UNDERWRITERS COUNSEL Firm: Jackson Kelly, PLLC  
Contact: Samme Gee, Esquire  
Phone: (304) 340-1318

CLOSING BANK: Bank: First Peoples Federal Credit Union  
Contact: Kim Fram  
Phone: 301.784.3009

ESCROW TRUSTEE: Firm: \_\_\_\_\_  
Contact: \_\_\_\_\_  
Phone: \_\_\_\_\_

KNOWLEDGEABLE ISSUER CONTACT Contact: Mike Bland  
Position: County Coordinator  
Phone: 304.788.5921

OTHER: Agency: West Virginia Infrastructure & Jobs Development Council  
Contact: Jim Ellars, P.E.  
Position: Director  
Phone: (304) 558-4607

DEPOSITS TO MBC AT CLOSE

By: _____	Wire _____	Accrued Interest: \$ _____
_____	Check _____	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 2010 A Bonds Reserve Account will be funded over 10 years.

\_\_\_\_\_

\_\_\_\_\_

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: \_\_\_\_\_

TRANSFERS REQUIRED: \_\_\_\_\_

\_\_\_\_\_

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 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 December 13, 2010, and the Supplemental Resolution of the Issuer adopted December 13, 2010 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the principal amount of \$3,240,000 (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 December 22, 2010.

FIRST PEOPLES COMMUNITY  
FEDERAL CREDIT UNION

By: Kimberly S. Gram  
Its: Authorized Officer

12.07.10  
306370.00005

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 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 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the principal amount of \$3,240,000 (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 22nd day of December, 2010.

THE HUNTINGTON NATIONAL BANK

By:   
Its: Authorized Officer

12.07.10  
306370.00005

CH5240056

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 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 2010 A (West Virginia Infrastructure Fund), of the Issuer, dated December 22, 2010, in the principal amount of \$3,240,000, 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 22nd day of December, 2010.

THE HUNTINGTON NATIONAL BANK

By:   
Its: Authorized Officer

12.07.10  
306370.00005

FRANKFORT PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2010 A  
(West Virginia Infrastructure Fund)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 22nd day of December, 2010, 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 \$3,240,000 Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), in fully registered form (the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted December 13, 2010, and the Supplemental Resolution of the Issuer duly adopted December 13, 2010 (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 shall not discriminate on the basis of race, color, national origin or sex in the performance of this Agreement. The Registrar shall carry out applicable requirements of 40 CRF part 33 in the award and administration of contracts awarded under EPA financial assistance agreements. Failure by the Registrar to carry out these requirements is a material breach of this Agreement which may result in the termination of this Agreement or other legal available remedies.

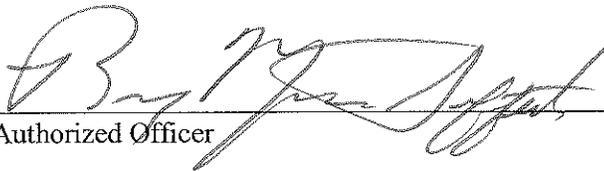
9. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

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

06.08.10  
306370.00005

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 December 22, 2010

Frankfort Public Service District  
Account Number 6089001809

Frankfort Public Service District  
Water Revenue Bonds, Series 2010 A  
C/o John C. Stump  
Steptoe & Johnson, PLLC  
P.O. Box 1588  
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

\*\*\*\*\*  
FEE CALCULATION FOR December, 2010  
\*\*\*\*\*

TOTAL AMOUNT	\$ 500.00
TOTAL DUE	<u>\$ 500.00</u>

**MAIL CHECK TO:**  
THE HUNTINGTON NATIONAL BANK  
ATTN: BARRY GRIFFITH – WE3013  
PO BOX 633  
CHARLESTON, WV 25322-0633

PLEASE INCLUDE A COPY OF THIS INVOICE WITH YOUR PAYMENT

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT  
Barry Morgan Griffith at (304) 348-5035

# State of West Virginia

## OFFICE OF ENVIRONMENTAL HEALTH SERVICES

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

### PERMIT

**PROJECT:** (Water) Wiley Ford Water System Replacement **PERMIT NO.:** 18,163  
**LOCATION:** Wiley Ford **COUNTY:** Mineral **DATE:** 11-17-2008

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

**Frankfort Public Service District  
P. O. Box 80  
Wiley Ford, West Virginia 26767**

is hereby granted approval to: install approximately 14,195 LF of 8", 28,870 LF of 6", and 12,255 LL of 2" water line; one (1) 297,000 gallon water storage tank; all necessary valves, controls and appurtenances.

Facilities are to serve Wiley Ford.

**NOTE:** This permit is contingent upon: 1) All new water lines and water storage tank being disinfected, flushed and bacteriologically tested, prior to use; 2) Maintaining a minimum ten (10) feet horizontal separation between sewer and water lines and a minimum 18" vertical separation between crossing sewer and water lines, with the water line to be installed above the sewer line. If these separation distances cannot be maintained, the OEHS-EED Kearneysville District Office is to be contacted, prior to installation of the water line; and 3) The 297,000 gallon water storage tank is to be enclosed by a minimum six (6) feet high fence with a locking gate.

The Environmental Engineering Division of the OEHS-Kearneysville District Office, (304) 725-9453, is to be notified when construction begins.

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

FOR THE DIRECTOR

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

RECEIVED  
2009 DEC 10 11:00  
PUBLIC SERVICE  
COMMISSION  
OF WEST VIRGINIA'S OFFICE

WSH:cls  
pc: Rummel, Klepper & Kahl, LLP  
James W. Ellars, P.E., PSC-Engineering Division  
Amy Swann, Public Service Commission  
Mineral County Health Department  
OEHS-EED Kearneysville District Office



# CERTIFICATE OF INSURANCE

— THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY —

DATE (MM/DD/YY)  
12/14/10

NAME AND ADDRESS OF AGENCY CHANEY - BUSKIRK AGENCY INC RTE. 28 AND AIRPORT ROAD WILEY FORD, WV 26767-0050  (304)738-9419		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 FRANKFORD PUBLIC SVC DIST 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. (Agency)	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	10/19/10	10/19/11	EACH OCCURRENCE \$ 1,000,000 FIRE DAMAGE (Any One Fire) \$ 1,000,000 MED EXP (Any One Person) \$ EXCL. PERSONAL & ADV. INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 1,000,000 PRODUCTS-COMP/OP 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 ULTRAFLHX	Q42 7850023	6/28/10	6/28/11	1000000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS  
 WV WATER DEVELOPMENT AUTHORITY IS ALSO LISTED AS ADDITIONAL INSURED.

**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 30 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 
---	--



*State of West Virginia*  
*Joe Manchin III*  
*Governor*

Office of the Governor  
State Capitol  
1900 Kanawha Boulevard, East  
Charleston, WV 25305

Telephone: (304) 558-2000  
Toll Free: 1-888-438-2731  
FAX: (304) 342-7025  
[www.wv.gov](http://www.wv.gov)

October 13, 2009

The Honorable Wayne Spiggle  
President  
Mineral County Commission  
150 Armstrong Street  
Keyser, West Virginia 26726

Dear Commissioner Spiggle:

The Mineral County Commission received a commitment of \$1,500,000 in Small Cities Block Grant funds to enable you to replace and expand the existing water distribution system along the John Chaney and Seymore Bottom Road areas of Mineral County.

In order to effectively use limited available dollars, only \$900,000 has been made available to date. Based upon the Mineral County Commission's ability to proceed with this worthwhile project, I am committing the remaining \$600,000 from the FY2009 Small Cities Block Grant allocation. Your existing Small Cities Block Grant contract will be amended to include the additional funds.

I encourage you to expedite this project and reach its completion as quickly as possible. The West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule as outlined in your application and Letter of Intent Status Report. This obligation may be replaced with a letter of intent for consideration from future allocations. Please be advised that a letter of intent for funding consideration from future allocations is contingent upon the availability of federal funds.

I am pleased to assist with these improvements for the citizens of Mineral County.

With warmest regards,

A handwritten signature in black ink, appearing to read "Joe Manchin III".  
Joe Manchin III  
Governor

JM:zbn



*State of West Virginia*  
*Joe Manchin III*  
*Governor*

Office of the Governor  
State Capitol  
1900 Kanawha Boulevard, East  
Charleston, WV 25305

Telephone: (304) 558-2000  
Toll Free: 1-888-438-2731  
FAX: (304) 342-7025  
[www.wv.gov.org](http://www.wv.gov.org)

January 14, 2009

The Honorable Wayne Spiggle  
President  
Mineral County Commission  
150 Armstrong Street  
Keyser, West Virginia 26726

Dear Commissioner Spiggle:

On February 1, 2008, the Mineral County Commission received a commitment of \$1,500,000 in Small Cities Block Grant funds to enable you to rehabilitate the Mineral County water system.

In order to effectively use limited available dollars, only \$200,000 was made available from the FY2007 allocation. Based upon the Mineral County Commission's ability to proceed with this worthwhile project, I am committing \$700,000 from the FY2008 Small Cities allocation. The remaining \$600,000 necessary to complete the project will be evaluated and committed in a future year allocation. Your existing Small Cities Block Grant contract will be amended to include the additional funds.

I encourage you to expedite this project and reach its completion as quickly as possible with this funding strategy in mind. The West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule. These funds would be replaced with a letter of intent for consideration from future allocations. Please be advised that a letter of intent is contingent upon the availability of federal funds.

I am pleased to assist with these improvements for the citizens of Mineral County.

With warmest regards,

A handwritten signature in black ink, appearing to read "Joe Manchin III".

Joe Manchin III  
Governor

JM:zbn

**GRANT AGREEMENT**  
(2006W-923 & 923b)

This Grant Agreement entered into by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority"), on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council") and the FRANKFORT PUBLIC SERVICE DISTRICT (the "Governmental Agency").

**RECITALS**

WHEREAS, the Council has authorized the Authority to make a grant to the Governmental Agency in the amount not to exceed \$360,000 (the "Grant") for the purposes of the design, acquisition or construction of a project for which a preliminary application has been submitted and approved by the Council;

WHEREAS, the Governmental Agency wishes to accept the Grant upon such terms and conditions as are hereinafter set forth for the purposes of designing, acquiring or constructing the project described in Exhibit B attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Grant Agreement sets forth the Council, the Authority and the Governmental Agency's understandings and agreements with regard to the Grant.

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

**TERMS**

1. Prior to the distribution of the Grant, the Governmental Agency shall provide the Authority with a Project budget and an anticipated monthly draw schedule reflecting the receipt dates and amounts from other funding sources. The Project budget shall not be amended unless the Governmental Agency has received the prior written consent of the Council.

2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Authority. Unless agreed to by the Council prior to the commencement of construction, the Grant shall be the last dollars expended on the Project.

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

4. The Authority shall wire the approved requisition amount using the wiring instructions provided in Exhibit A, unless the Council and Authority are provided replacement instructions in writing.

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

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

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

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

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

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

FRANKFORT PUBLIC SERVICE DISTRICT

By:   
Its: Chairman  
Date: December 22, 2010

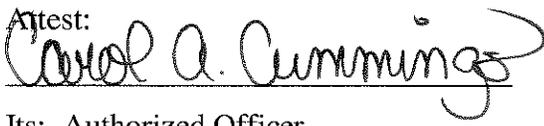
(SEAL)

Attest:   
Its: Secretary

WEST VIRGINIA WATER  
DEVELOPMENT AUTHORITY

By:   
Its: Executive Director  
Date: December 22, 2010

(SEAL)

Attest:   
Its: Authorized Officer

[To Be Placed on Letterhead]

**Exhibit A**

**Wiring Instructions**

\_\_\_\_\_, 20\_\_

**Frankfort Public Service District  
P.O. Box 80  
Wiley Ford, WV 26767**

Payor: West Virginia Water Development Authority  
Source: Grant Proceeds  
Amount: \$ \_\_\_\_\_  
Date: \_\_\_\_\_, 20\_\_  
Form: Electronic Funds Transfer  
Payee: Frankfort Public Service District  
Bank: First Peoples Community Federal Credit Union  
54 Queen City Drive, Cumberland, MD 21510  
Bank Contact: Kim Fram  
Telephone: (301) 784-3009  
Routing No.: 252177121  
Account No.: 1020001348780  
Account Name: \_\_\_\_\_

## **Exhibit B**

### **Project Description**

The Project consists of acquisition of improvements and extensions to the existing public waterworks system of the Governmental Agency.



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

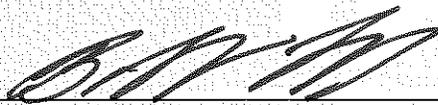
December 22, 2010

Frankfort Public Service District  
Water Revenue Bonds, Series 2010 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 2010 A (West Virginia Infrastructure Fund), in the original aggregate principal amount of \$3,240,000, (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 \$223,000 (the "Series 1976 Bonds"); (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"), (c) Water Revenue Bonds, Series 1979 (United States Department of Agriculture), dated January 4, 1980, originally issued to Fort Ashby Public Service District in the aggregate principal amount of \$301,000 (the "Series 1979 Bonds"), (d) Water Revenue Bonds, Series 1993 A (United States Department of Agriculture), dated December 2, 1993, originally issued to Fort Ashby Public Service District in the aggregate principal amount of \$1,325,000 (the "Series 1993 A Bonds"); and (e) Water Revenue Bonds, Series 1993 B (United States Department of Agriculture), dated December 2, 1993, issued originally to Fort Ashby Public Service District in the aggregate principal amount of \$198,000 (the "Series 1993 B 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.

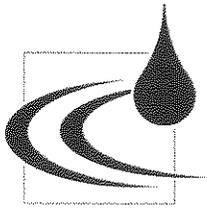
WITNESSETH my signature on this 22nd day of December, 2010.

  
\_\_\_\_\_  
State Director

1550 Earl Core Road • Suite 101 • Morgantown, WV 26505  
Phone: 304.284.4860 • 1.800.295.8228 • Fax: 304.284.4893 • TTY/TDD: 304.284.4836 • Web: <http://www.rurdev.usda.gov/wv>

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WEST VIRGINIA

**Water Development Authority**

*Celebrating 36 Years of Service 1974 - 2010*

December 22, 2010

Frankfort Public Service District  
Water Revenue Bonds, Series 2010 A  
(West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

In reliance upon a certificate of Huber, Michaels & Company, independent certified public accountants, and an opinion of Steptoe & Johnson PLLC, as bond counsel, stating that the coverage and parity requirements have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the present holder of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), in the principal amount of \$3,240,000, (the "Series 2010 A Bonds"), by Frankfort Public Service District (the "Issuer"), under the terms of the resolution authorizing the Series 2010 A Bonds on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated May 6, 2008, issued in the original aggregate principal amount of \$400,000 (the "Prior Bonds").

Authorized Representative

12.07.10  
306370.00005



Chase Tower, Eighth Floor  
P.O. Box 1588  
Charleston, WV 25326-1588  
(304) 353-8000 (304) 353-8180 Fax  
www.steptoe-johnson.com

Writer's Contact Information

## CLOSING MEMORANDUM

**To:** Financing Team  
**From:** John C. Stump, Esquire  
**Date:** December 22, 2010  
**Re:** Frankfort Public Service District  
173 Plum Run Road, Wiley Ford, WV 26767  
Water Revenue Bonds, Series 2010 A  
(West Virginia Infrastructure Fund)

---

1. **DISBURSEMENTS TO FRANKFORT PUBLIC SERVICE DISTRICT:**

Payor: West Virginia Infrastructure and Jobs Development Council  
Amount: \$383,851.63  
Form: wire  
Bank: First Peoples Community Federal Credit Union  
54 Queen City Drive, Cumberland, MD 21510  
ABA No.: 252177121  
Acct. No.: 1020001348780  
Contact: Kim Fram 301.784.3009  
Account: Series 2010 A Bonds Construction Trust Fund

Draw Contact: Mike Bland 304-788-5921

**FRANKFORT PUBLIC SERVICE DISTRICT  
2006W-923 & 2006W-923B**

**RESOLUTION APPROVING INVOICES RELATING TO CONSTRUCTION AND OTHER  
SERVICES FOR THE PROPOSED WILEY FORD WATER PROJECT AND  
AUTHORIZING PAYMENT THEREOF,**

**WHEREAS**, the Frankfort Public Service District has reviewed the invoices attached hereto and incorporated herein by reference relation to the construction of the Wiley Ford Water Project funded by the WV Infrastructure & Jobs Development Council (IJDC); and Small Cities Block Grant (SCBG) 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 costs has been otherwise properly incurred.
- d) That the payment for each of the items proposed is due and owing.

**NOW, THEREFOR, BE IT RESOLVED** The Frankfort Public Service District by as follows: There is hereby authorized and directed the payment of the attached invoices from the Project Fund as follows:

Vendor	Total	IJDC Loan (\$2,700,000) 2006W-923b	IJDC Loan (\$540,000) 2006W-923	SCBG	IJDC Grant
Huber Michaels	2,200.00	2,200.00	0	0	0
RK&K	299,264.13	299,264.13	0	0	0
Athey	12,075.00	12,075.00	0	0	0
Lands & ROWs	44,812.50	44,812.50	0	0	0
Steptoe & Johnson	25,000.00	25,000.00	0	0	0
Huntington Bank	500.00	500.00	0	0	0
Total	383,851.63	383,851.63	0	0	0

**ADOPTED BY** the Frankfort Public Service District, at the meeting held on the 13th day of December, 2010.

By:   
Its: Chairman

Contact: Mike Bland (304) 788-5921

## SWEEP RESOLUTION

**WHEREAS**, the 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 monthly debt service payments on 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;

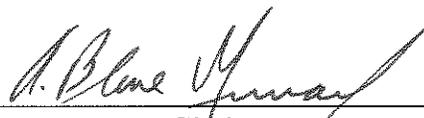
**WHEREAS**, the MBC may accept such monthly payments by electronic funds transfer thereby eliminating delay in payments and lost checks;

**WHEREAS**, the Issuer find 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 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 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 and Secretary 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 13th day of December, 2010.

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Secretary

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

*Handwritten: No. 1*

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

OK 1186, 906  
 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 <sup>Balance</sup> FmHA	(8) \$	
(4) \$ 47,100	- ABC 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

William E. Ruckelshaus  
Member

Lloyd O. Belfrage  
Member

WATER REVENUE BOND, SERIES 1976

FRANKFORT PUBLIC SERVICE DISTRICT

\$223,000

No. 1

Date: July 16, 1976

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.

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.

FRANKFORT PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

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Chairman, Public Service Board

Wiley Ford  
West Virginia 26767

ATTEST:

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Secretary, Public Service Board

FORT ASHBY PUBLIC SERVICE DISTRICT

Water Revenue Bond, Series 1979

BOND RESOLUTION

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FORT ASHBY PUBLIC SERVICE DISTRICT

Water Revenue Bond, Series 1979

RESOLUTION AUTHORIZING THE ISSUANCE OF \$301,000 WATER REVENUE BOND, SERIES 1979, OF FORT ASHBY PUBLIC SERVICE DISTRICT TO FINANCE CONSTRUCTION OF IMPROVEMENTS TO THE EXISTING WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDERS OF THE BOND; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF FORT ASHBY 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 (the "Act") and other applicable provisions of law. Fort Ashby Public Service District (the "Issuer") is a public service district created pursuant to the Act by the County Commission of Mineral County.

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

(A) The Issuer now has a public water system, but such system is not adequate for service to customers of the Issuer.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed additions, extensions and improvements to the existing water system of the Issuer consisting of improvements to the existing water treatment plant with all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

(C) It is necessary for the Issuer to issue its revenue bond in the principal amount of \$301,000 to finance the cost of such construction in the manner hereinafter provided.

(D) The estimated maximum cost of the construction of the Project is \$301,000, all of which is to be obtained from the proceeds of sale of the Bond herein authorized.

(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 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 hereby.

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

(G) There is outstanding the obligation of the Issuer which will rank on a parity with the Bond as to lien and source of and security for payment as follows:

Water-Works Revenue Bonds, Series A and Series B of the Issuer, dated June 3, 1964 (the "1964 Bonds") issued in the original aggregate principal amount of \$265,000, held by the United States Department of Agriculture, Farmers Home Administration.

(H) The Government is expected by the Issuer to purchase the entire principal amount of the Bond.

(I) 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 of the Bond including, among other things, the consent and approval, pursuant to the Act, of the issuance of the 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 Bond by the Purchaser, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Bondholder, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Purchaser as holder of the Bond.

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

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

"Bond" means the \$301,000 Water Revenue Bond, Series 1979, authorized hereby.

"1964 Bonds" means the outstanding bonds of the Issuer described in Section 1.02(G) herein.

"Bonds" means the Bond and the 1964 Bonds.

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

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means John McNair & Associates, Waynesboro, Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

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

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

"Herein" means in this Bond Legislation.

"Holder of the Bond" or "Bondholder" or any similar term means any person who shall be the bearer or owner of the Bond.

"Issuer" means Fort Ashby Public Service District of Mineral County, West Virginia, and includes the Governing Body.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of operating expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 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.

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

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

"1964 Resolution" means the resolution of the Issuer adopted June 3, 1964, authorizing the 1964 Bonds.

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

"Secretary" means the Secretary of the Governing Body.

"System" means the Project initially, and includes the complete water system of the Issuer and all water 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 water system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the water system 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 BOND

Section 2.01. Authorization of Bond. Subject and pursuant to the provisions of this Resolution the Bond of the Issuer, to be known as "Water Revenue Bond, Series 1979," is hereby authorized to be issued in the aggregate principal amount of not exceeding Three Hundred One Thousand Dollars (\$301,000) for the purpose of financing the cost of construction and acquisition of the Project.

Section 2.02. Description of Bond. The Bond shall be issued in single form, No. 1, and shall be dated on the date of delivery. The 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 Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 2.03. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary.

Section 2.04. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 2.05. Bond Secured by Pledge of Revenues. The payment of the debt service of the Bond shall be secured forthwith by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for, on a parity as to lien, pledge and all other respects with the 1964 Bonds. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond and the 1964 Bonds 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 1964 Bonds as the same become due.

Section 2.06. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(Form of Bond)

WATER REVENUE BOND, SERIES 1979

FORT ASHBY PUBLIC SERVICE DISTRICT

\$301,000

No. 1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, FORT ASHBY 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 (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 Three Hundred One Thousand Dollars (\$301,000) 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 \$1,478, 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.

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 existing water system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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"), and a Resolution of the Public Service Board of the Borrower.

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its

future regulations not inconsistent with the express provisions hereof.

This Bond is on a parity in all respects with the 1964 Bonds described in said Resolution.

FORT ASHBY PUBLIC SERVICE DISTRICT  
(Name of Borrower)

[CORPORATE SEAL]

\_\_\_\_\_  
(Signature of Executive Official)

Chairman, Public Service Board  
(Title of Executive Official)

\_\_\_\_\_  
(Post Office Box No. or Street Address)

Fort Ashby, West Virginia 26719  
(City, State and Zip Code)

ATTEST:

\_\_\_\_\_  
(Signature of Attesting Official)

Secretary, Public Service Board  
(Title of Attesting Official)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	
		TOTAL	\$ _____

ASSIGNMENT

Pay to the Order of \_\_\_\_\_  
\_\_\_\_\_

UNITED STATES OF AMERICA  
FARMERS HOME ADMINISTRATION

By \_\_\_\_\_  
\_\_\_\_\_  
(Title)

ARTICLE III

BOND PROCEEDS; REVENUES  
AND APPLICATION THEREOF

Section 3.01. Bond Proceeds; Project Construction Account. The proceeds of sale of the Bond shall be deposited on receipt by the Issuer in Farmers & Merchants Bank of Keyser, Keyser, West Virginia, a member of Federal Deposit Insurance Corporation (the "FDIC"), in a special account hereby created and designated as "Fort Ashby 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 Issuer solely for the purposes provided herein.

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

If the Issuer 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 Issuer may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

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

Section 3.02. Covenants of the Issuer as to Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund hereinafter established, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bond as follows:

(A) Revenue Fund. The entire gross revenues derived from the operation of the System, and all parts thereof, and all tap fees received, shall be deposited as collected by the Issuer in 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" was established by the 1964 Resolution. The Revenue Fund is now on deposit with Farmers & Merchants Bank of Keyser, Keyser, West Virginia. The Revenue Fund shall constitute a trust fund for the purposes

provided herein and in the 1964 Resolution and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner provided herein.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

The Operation and Maintenance Fund established by the 1964 Resolution is hereby terminated, and all monies therein shall be transferred to the Revenue Fund.

(2) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and pay to the National Finance Office designated in the Bonds or otherwise the amount required to pay the interest on the Bonds, and to amortize the principal of the Bonds over the respective life of each Bond issue. The Bond Fund established by the 1964 Resolution is hereby terminated and all monies therein shall be paid to the Purchaser for credit upon the 1964 Bonds and any balance shall be deposited in the Reserve Fund.

(3) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit with the said Bank in the Reserve Fund established by the 1964 Resolution with said Bank, 1/12th of 1/10th of the amount of principal and interest becoming due on the Bonds in any year until the amount in the Reserve Fund equals the sum of \$31,000, such sum being herein called the "Minimum Reserve." After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and for payment of operating expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bonds to said National Finance Office as the same shall become due or for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose.

(4) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit in the Depreciation Reserve, established as the Repair and Replacement Fund by the 1964 Resolution with said Bank, and hereby redesignated the "Depreciation Reserve," the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$27,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds 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 Issuer

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 Bonds or for any lawful purpose.

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

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

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the 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.

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

(D) Users. The Issuer has not less than 443 existing bona fide full time users.

ARTICLE IV

GENERAL COVENANTS

Section 4.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 4.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than 110% of the maximum annual debt service on the Bonds 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 Purchaser so long as the Bonds are 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 Bond pursuant hereto except with the prior written consent of the Purchaser.

Section 4.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or

death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bond.

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

(d) 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 Section 38-2-39.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$10,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

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

Section 4.06. Statutory Mortgage. For the further protection of the holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bond and shall be for the equal benefit of the Bonds.

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 on any of the Bonds at the date specified for payment thereof;

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

Section 4.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

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

Section 4.09. Fiscal Year; Budget. While the Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each fiscal year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each fiscal year.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year 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 Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 4.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 4.11. Covenant to Proceed and Complete. The Issuer 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 on the date of adoption hereof, subject to permitted changes.

Section 4.12. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

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

Section 4.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bonds are outstanding.

Section 4.14. No Competition. The Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

Section 4.15. Concerning Arbitrage. The proceeds of sale of the Bond shall not be invested in such a way as to violate 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(c) 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 provided in the order of the Public Service Commission of West Virginia entered May 11, 1964, and now in full force and effect.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Delivery of Bond No. 1. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause Bond No. 1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

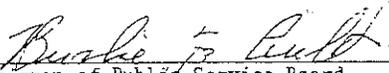
Section 6.02. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 6.03. 1964 Resolution. The 1964 Resolution and all parts thereof not expressly hereby changed shall continue in full force and effect and this resolution shall be supplemental to the 1964 Resolution. All provisions of the 1964 Resolution changed hereby shall be null and void.

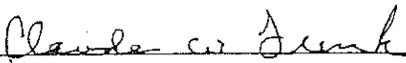
Section 6.04. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 6.05. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted January 4, 1980.

  
Chairman of Public Service Board

  
Member

  
Member

WATER REVENUE BOND, SERIES 1979  
FORT ASHBY PUBLIC SERVICE DISTRICT

\$301,000

No. 1

Date: January 4, 1980

FOR VALUE RECEIVED, FORT ASHBY 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 (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 Three Hundred One Thousand Dollars (\$301,000) 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 \$1,478, 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.

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 existing water system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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"), and a Resolution of the Public Service Board of the Borrower.

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

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

This Bond is on a parity in all respects with the 1964 Bonds described in said Resolution.

FORT ASHBY PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

\_\_\_\_\_  
Chairman, Public Service Board

Fort Ashby,  
West Virginia. 26719

ATTEST:

\_\_\_\_\_  
Secretary, Public Service Board

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	\$		(6)	\$	
(2)	\$		(7)	\$	
(3)	\$		(8)	\$	
(4)	\$		(9)	\$	
(5)	\$		(10)	\$	
			TOTAL	\$	_____

ASSIGNMENT

Pay to the Order of \_\_\_\_\_  
\_\_\_\_\_

UNITED STATES OF AMERICA  
FARMERS HOME ADMINISTRATION

By \_\_\_\_\_

\_\_\_\_\_  
(Title)

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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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	nmt
(6)	9/5/95	\$ 170,000	nmt
(7)	10/20/95	\$ 30,000	nmt
(8)		\$	
(9)		\$	
(10)		\$	
TOTAL:		\$ 2,000,000. <sup>00</sup>	

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.

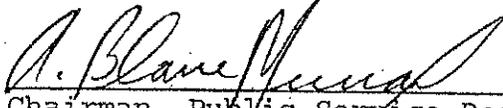
Section 9.06. Satisfaction and Discharge. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the respective 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.

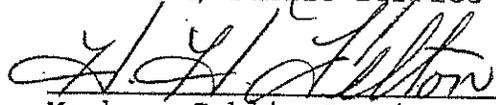
Section 9.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

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]

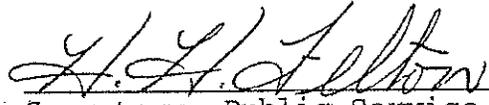
  
Secretary, Public Service Board

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.

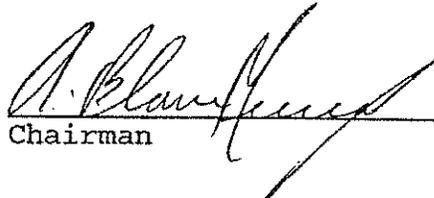
Section 7. The District hereby appoints and designates F & M Bank - Keyser Inc., Keyser, West Virginia, as Registrar for the Bond as provided in the Resolution.

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]

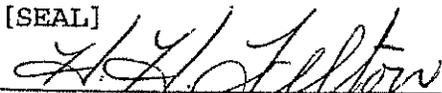
  
Secretary

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

**FORT ASHBY PUBLIC SERVICE DISTRICT**

**Water Revenue Bonds,  
Series 1993 A and Series 1993 B**

**BOND RESOLUTION**

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FORT ASHBY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$1,325,000 WATER REVENUE BOND, SERIES 1993 A, AND \$198,000 WATER REVENUE BOND, SERIES 1993 B, OF FORT ASHBY PUBLIC SERVICE DISTRICT, ON A PARITY WITH THE OUTSTANDING 1964 A BOND, 1964 B BOND AND 1979 BOND OF THE DISTRICT, TO FINANCE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM AND ALL APPURTENANT FACILITIES IN THE DISTRICT; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS  
AND DEFINITIONS

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

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

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

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the

inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain improvements and extensions to the existing waterworks facilities of the Issuer, consisting of one MCPD water treatment plant and all necessary appurtenant facilities on Patterson Creek, Fort Ashby, Mineral County, West Virginia (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, extensions or improvements thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$1,685,000, of which \$1,523,000 will be obtained from the proceeds of sale of the Bonds herein authorized and \$162,000 will be obtained from funds of the Issuer.

E. It is necessary for the Issuer to issue its water revenue bonds in the total aggregate principal amount of \$1,523,000, in two series, being the 1993 A Bond (hereinafter defined), in the aggregate principal amount of \$1,325,000 and the 1993 B Bond (hereinafter defined), in the aggregate principal amount of \$198,000 (collectively, the "Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the acquisition of any necessary property, real or personal, or interest therein; interest on the Bonds prior to, during and for six months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the acquisition and construction of the Project and the financing authorized hereby; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for Costs of the Project by the Issuer shall be deemed Costs of the Project.

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

G. There are outstanding obligations of the Issuer which will rank on a parity with the Bonds as to liens, pledge and source of and security for payment, being the Water-Works Revenue Bond, Series A, dated June 3, 1964 (the "1964 A Bond"), issued in the original aggregate principal amount of \$180,000, the Water-Works Revenue Bond, Series B, dated June 3, 1964 (the "1964 B Bond"), issued in the original aggregate principal amount of \$85,000, and the Water Revenue Bond, Series 1979, dated January 4, 1980 (the "1979 Bond"), issued in the original aggregate principal amount of \$301,000, all held by the Purchaser (as hereinafter defined). The 1964 A Bond, the 1964 B Bond and the 1979 Bond are hereinafter collectively referred to as the "Prior Bonds." There are no other outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Bonds as to liens, pledge and/or source of and security for payment.

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

H. It is in the best interest of the Issuer that the Bonds be sold to the United States Department of Agriculture, Farmers Home Administration (the "Purchaser"), pursuant to the terms and provisions of a Letter of Conditions, dated February 26, 1993, and all amendments thereto, if any (collectively, the "Letter of Conditions").

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a

contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Bonds.

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

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

"1993 A Bond" means the Water Revenue Bond, Series 1993 A, authorized hereby.

"1993 B Bond" means the Water Revenue Bond, Series 1993 B, authorized hereby.

"1979 Bond" means the outstanding Water Revenue Bond, Series 1979, of Issuer described in Section 1.02G hereof.

"1964 A Bond" means the outstanding Water-Works Revenue Bond, Series A, of the Issuer described in Section 1.02G hereof.

"1964 B Bond" means the outstanding Water-Works Revenue Bond, Series B, of Issuer described in Section 1.02G hereof.

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

"Bonds" means, collectively, the 1993 A Bond and the 1993 B Bond.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Vanscoy Engineering & Surveying, Keyser, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means Farmers & Merchants Bank of Keyser, Keyser, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which shall hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture,

fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each year beginning on January 1 and ending on December 31.

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

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

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

"Issuer," "Borrower" or "District" means Fort Ashby Public Service District, in Mineral County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated February 26, 1993, and all amendments thereto, if any.

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

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

"Prior Bonds" means, collectively, the 1964 A Bond, the 1964 B Bond and the 1979 Bond of the Issuer described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the 1964 Resolution and the 1979 Resolution, all hereinafter defined.

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

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

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

(a) Government Obligations;

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

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

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

(e) Time accounts (including accounts evidenced by time certificates of deposit, time

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

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

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

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

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

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

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

"Resolutions" means, collectively, the 1964 Resolution, the 1979 Resolution and the Bond Legislation.

"1964 Resolution" means the resolution of the Issuer adopted June 3, 1964, authorizing the 1964 A Bond and the 1964 B Bond.

"1979 Resolution" means the resolution of the Issuer adopted January 4, 1980, authorizing the 1979 Bond.

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

"Secretary" means the Secretary of the Governing Body.

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

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND  
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$1,685,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article IV hereof.

### ARTICLE III

#### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Bonds of the Issuer, to be known as "Water Revenue Bond, Series 1993 A" and "Water Revenue Bond, Series 1993 B," are hereby authorized to be issued in the respective principal amounts of \$1,325,000 and \$198,000 for a total aggregate principal amount of not exceeding \$1,523,000 for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. A. The 1993 A Bond shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1993 A Bond shall bear interest from the date of delivery, payable monthly at the rate of 5.25% per annum, and shall be sold for the par value thereof.

B. The 1993 B Bond shall be issued in single form, numbered BR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1993 B Bond shall bear interest from the date of delivery, payable monthly at the rate of 5.25% per annum, and shall be sold for the par value thereof.

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

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

Whenever the Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The

Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

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

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

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

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

date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

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

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

(FORM OF 1993 A BOND)

FORT ASHBY PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1993 A

\$1,325,000

No. AR-1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, FORT ASHBY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$1,325,000), plus interest on the unpaid principal balance at the rate of 5.25% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$6,718, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the 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 additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the

Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

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

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

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

This Bond is on a parity as to liens, pledge and source of and security for payment, and in all other respects, with the 1964 A Bond, the 1964 B Bond, the 1979 Bond and the 1993 B Bond described in said Resolution.

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

FORT ASHBY PUBLIC SERVICE DISTRICT  
(Name of Borrower)

[CORPORATE SEAL]

\_\_\_\_\_  
(Signature of Executive Official)

Chairman, Public Service Board  
(Title of Executive Official)

P.O. Box 31  
(P. O. Box No. or Street Address)

Fort Ashby, West Virginia 26719  
(City, State and Zip Code)

ATTEST:

\_\_\_\_\_  
(Signature of Attesting Official)

Secretary, Public Service Board  
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	
	TOTAL	\$	

[Form of Assignment]

ASSIGNMENT

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

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

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_

(FORM OF 1993 B BOND)

FORT ASHBY PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1993 B

\$198,000

No. BR-1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, FORT ASHBY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE HUNDRED NINETY-EIGHT THOUSAND DOLLARS (\$198,000), plus interest on the unpaid principal balance at the rate of 5.25% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,004, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due

payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

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

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

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

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

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

Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

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

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

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

This Bond is on a parity as to liens, pledge and source of and security for payment, and in all other respects, with the 1964 A Bond, the 1964 B Bond, the 1979 Bond and the 1993 A Bond described in said Resolution.

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

FORT ASHBY PUBLIC SERVICE DISTRICT  
(Name of Borrower)

[CORPORATE SEAL]

\_\_\_\_\_  
(Signature of Executive Official)

Chairman, Public Service Board  
(Title of Executive Official)

P.O. Box 31  
(P. O. Box No. or Street Address)

Fort Ashby, West Virginia 26719  
(City, State and Zip Code)

ATTEST:

\_\_\_\_\_  
(Signature of Attesting Official)

Secretary, Public Service Board  
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	
	TOTAL	\$	<u>                    </u>

[Form of Assignment]

ASSIGNMENT

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

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

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_

## ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the 1964 Resolution and continued by the 1979 Resolution), and shall be held by, the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the 1964 Resolution and continued by the 1979 Resolution);
- (2) Reserve Fund (established by the 1964 Resolution and continued by the 1979 Resolution);
- (3) Depreciation Reserve (established by the 1964 Resolution and continued by the 1979 Resolution);  
and
- (4) Project Construction Account.

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

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

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

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and

reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

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

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Bonds as follows:

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

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the 1964 Resolution and the 1979 Resolution not otherwise modified herein:

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

(ii) The Issuer shall next, on or before the due date of payment of each installment on the Bonds and the Prior Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bonds and the Prior Bonds (or such other place as may be provided pursuant to the Bonds and the Prior Bonds), the amounts required to pay the interest on the Bonds and the Prior Bonds, and to amortize the principal of the Bonds and the Prior Bonds over the respective lives of each Bond issue. All

payments with respect to principal of and interest on the Bonds and the Prior Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(iii) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund,  $\frac{1}{12}$ th of  $\frac{1}{10}$ th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest becoming due on the Bonds and the Prior Bonds in any year, until the amount in the Reserve Fund equals such maximum amount (the "Minimum Reserve"). After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and the Prior Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bonds and the Prior Bonds to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bonds and the Prior Bonds, or for mandatory prepayment of the Bonds and the Prior Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other; provided, however, that when the Minimum Reserve has been accumulated in the Reserve Fund all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund and used for ratable prepayment of principal of the Bonds and the Prior Bonds.

(iv) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and deposit in the

Depreciation Reserve, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$93,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds and the Prior Bonds as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

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

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

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

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further

securing payment of the Bonds and the Prior Bonds and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

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

Subject to the Prior Resolutions, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Government Obligations having maturities not exceeding two years. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Subject to the Prior Resolutions, earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

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

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be at least 684 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

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

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

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

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

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

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all

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

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

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

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement

of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

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

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

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

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

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

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

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

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

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

Section 5.09. Fiscal Year; Budget. While the Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on January 1 of each year and ending on December 31 of each year, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a

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

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

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

Section 5.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

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

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

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise,

permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules.

A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on September 3, 1993, Case No. 92-1083-PWD-CN, which Final Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

## ARTICLE VII

### MISCELLANEOUS

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

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

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause Bond No. AR-1 and Bond No. BR-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

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

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

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

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

Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

Adopted: November 19, 1993.

Burke F. Gault  
Chairman of Public Service Board

Claude W. Jank  
Member

George H. Beam  
Member

11/24/93  
FAC.A3  
30180/93001

(SPECIMEN 1993 A BOND)

FORT ASHBY PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1993 A

\$1,325,000

No. AR-1

Date: December 2, 1993

FOR VALUE RECEIVED, FORT ASHBY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$1,325,000), plus interest on the unpaid principal balance at the rate of 5.25% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$6,718, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the 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.

7A

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

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

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

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

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

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

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

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

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

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

This Bond is on a parity as to liens, pledge and source of and security for payment, and in all other respects, with the 1964 A Bond, the 1964 B Bond, the 1979 Bond and the 1993 B Bond described in said Resolution.

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

FORT ASHBY PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

---

Chairman, Public Service Board  
P.O. Box 31  
Fort Ashby, West Virginia 26719

ATTEST:

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Secretary, Public Service Board



ASSIGNMENT

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

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

Dated: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_

(SPECIMEN 1993 B BOND)

FORT ASHBY PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1993 B

\$198,000

No. BR-1

Date: December 2, 1993

FOR VALUE RECEIVED, FORT ASHBY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE HUNDRED NINETY-EIGHT THOUSAND DOLLARS (\$198,000), plus interest on the unpaid principal balance at the rate of 5.25% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,004, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the 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.

7B

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

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

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

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

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

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

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

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

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

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

This Bond is on a parity as to liens, pledge and source of and security for payment, and in all other respects, with the 1964 A Bond, the 1964 B Bond, the 1979 Bond and the 1993 A Bond described in said Resolution.

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

FORT ASHBY PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

---

Chairman, Public Service Board  
P.O. Box 31  
Fort Ashby, West Virginia 26719

ATTEST:

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Secretary, Public Service Board

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	
	TOTAL	\$	<u>                    </u>

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:

\_\_\_\_\_

**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.

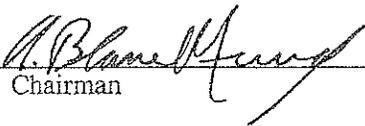
Section 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, 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

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]

*[Handwritten Signature]*  
\_\_\_\_\_  
Chairman

ATTEST:

*[Handwritten Signature]*  
\_\_\_\_\_  
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

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)

\$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
<b>Total</b>	<b>\$400,000.00</b>	<b>-</b>	<b>\$400,000.00</b>

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:

\_\_\_\_\_