

**GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2007 A AND SERIES 2007 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)**

DATE OF CLOSING: MAY 21, 2007

BONDS TRANSCRIPT

STEPTOE & JOHNSON PLLC

John C. Stump, Esquire
707 Virginia Street, East
Bank One Center, Seventh Floor
Charleston, WV 25326
(304)353-8196
john.stump@steptoe-johnson.com

Vincent A. Collins, Esquire
1085 Van Voorhis Road
United Center, Suite 400
Morgantown, WV 26505
(304)598-8161
vincent.collins@steptoe-johnson.com

GAP MILLS PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)**

Closing Date: May 21, 2007

BOND TRANSCRIPT

Table of Contents

BASIC DOCUMENTS

1. Bond Resolution
2. Public Service Commission Orders
3. Receipt for Bonds
4. Specimen Series 2007 A Bond
5. Specimen Series 2007 B Bond
6. Registration Books
 - A. Series 2007 A Bonds
 - B. Series 2007 B Bonds

OPINIONS OF COUNSEL

7. Approving Opinion of Steptoe & Johnson, Bond Counsel regarding Series 2007 A Bond
8. Approving Opinion of Steptoe & Johnson, Bond Counsel regarding Series 2007 B Bond
9. Opinion of Counsel to Issuer

CERTIFICATES

10. Engineer's Certificate
11. Combined Certificate of Issuer and Attorney

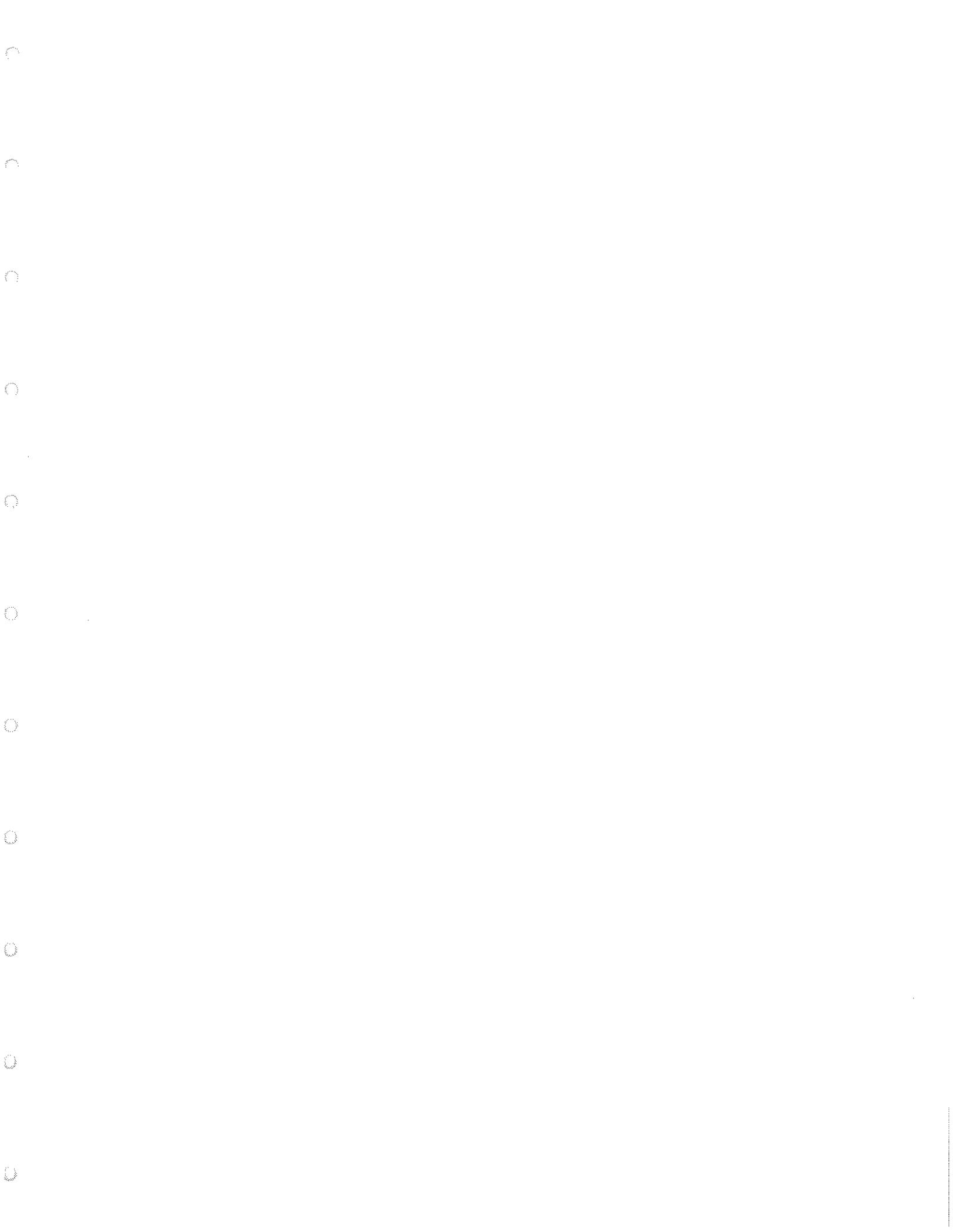
DOCUMENTS OF THE ISSUER

12. County Commission Orders Regarding Creation and Enlargement of the District and Approval of Public Service Commission
13. County Commission Orders of Appointment of Current Boardmembers and Oaths of Office of Current Boardmembers
14. Rules of Procedure
15. Minutes of Current Year Organizational Meeting and Adoption of Bond Resolution
16. Municipal Bond Commission New Issue Reports
 - A. Series 2007 A Bonds
 - B. Series 2007 B Bonds

MISCELLANEOUS DOCUMENTS

17. United States Department of Agriculture Letter of Conditions and Closing Instructions
18. United States Department of Agriculture Loan Resolution
19. United States Department of Agriculture Grant Agreement
20. Receipt of Depository Bank
21. Bureau of Public Health Permit

319040.00001



GAP MILLS PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)**

BOND RESOLUTION

Table of Contents

**ARTICLE I
STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS**

Section 1.01	Authority for This Resolution
Section 1.02	Findings and Determinations
Section 1.03	Bond Legislation Constitutes Contract
Section 1.04	Definitions

**ARTICLE II
AUTHORIZATION ACQUISITION AND
CONSTRUCTION OF THE PROJECT**

Section 2.01	Authorization of Acquisition and Construction of the Project
--------------	--

**ARTICLE III
AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS**

Section 3.01	Authorization of Bonds
Section 3.02	Description of Bonds
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds
Section 3.04	Bond Registrar
Section 3.05	Execution of Bonds
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07	Bonds Secured by Pledge of Net Revenues
Section 3.08	Form of Bond
	FORM OF BOND SERIES 2007 A
	FORM OF BOND SERIES 2007 B

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
- Section 4.02 Establishment of Funds and Accounts with Commission
- Section 4.03 Bond Proceeds; Project Construction Account
- Section 4.04 Covenants of the Issuer as to System Revenues and Funds
- Section 4.05 Interim Construction Financing

ARTICLE V
GENERAL COVENANTS, ETC.

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

ARTICLE VI
RATES, ETC.

- Section 6.01 Initial Schedule of Rates and Charges; Rules

ARTICLE VII
MISCELLANEOUS

- Section 7.01 Payment of Bonds
- Section 7.02 Modification or Amendment
- Section 7.03 Delivery of Bonds
- Section 7.04 Severability of Invalid Provisions
- Section 7.05 Conflicting Provisions Repealed
- Section 7.06 Table of Contents and Headings
- Section 7.07 Covenant of Due Procedure, Etc.

Section 7.08 Effective Time
SIGNATURES
CERTIFICATION

GAP MILLS PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF GAP MILLS PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$360,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$82,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF GAP MILLS 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. Gap Mills Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by The County Commission of Monroe County.

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

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

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of certain additions and improvements to its water system in Monroe County including installation of 8 inch, 6 inch, 4 inch and 2 inch water line, two booster stations, one water storage tank and construct a new office/water treatment building, together 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 existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$1,651,000, of which \$360,000 will be obtained from the proceeds of sale of the Series 2007 A Bonds \$82,000 will be obtained from the proceeds of the sale of the Series 2007 B Bonds, both herein authorized and \$1,209,000 will be obtained as a grant from the Purchaser.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2007 A (United States Department of Agriculture) (the "Series 2007 A Bonds") in the total aggregate principal amount of not more than \$360,000 to finance a portion of the cost of such acquisition and construction and to pay costs of issuance thereof and related costs, and it is necessary for the Issuer to issue its Water Revenue Bonds, Series 2007 B (United States Department of Agriculture) (the "Series 2007 B Bonds"), in the aggregate principal amount of \$82,000 (the Series 2007 A Bonds and Series 2007 B Bonds collectively know as the "Series 2007 Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2007 Bonds

prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are no outstanding obligations of the Issuer which will rank on a parity with the Series 2007 Bonds as to liens, pledge and source of and security for payment.

H. It is in the best interest of the Issuer that the Series 2007 Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated January 23, 2002, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2007 Bonds, or will have so complied prior to issuance of the Series 2007 Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2007 Bonds.

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

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

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

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

"Bonds" means the Series 2007 Bonds.

"Chairman" means the Chairman of the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2007 Bonds for all or a portion of the proceeds of the Series 2007 Bonds from the Purchaser.

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

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

"Depository Bank" means the Bank of Monroe, Union, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated January 23, 2002, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2007 Bonds in the then current or any succeeding year.

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

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

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

"Project Construction Account" means the Project Construction Account established by Section 4.01 hereof.

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

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

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

evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

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

repurchase agreement shall have a prior perfected security interest in the collateral therefor, must have (or its agent must have) possession of such collateral, and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the West Virginia Code of 1931; 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.

"Reserve Fund" means the Reserve Fund established by Section 4.01 hereof.

"Resolutions" means the Bond Legislation.

"Revenue Fund" means the Revenue Fund established by Section 4.01 hereof.

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

"Secretary" means the Secretary of the Governing Body.

"Series 2007 Bonds" means, collectively, the Series 2007 A Bonds and the Series 2007 B Bonds.

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account established by Section 4.01 hereof.

"Series 2007 B Bonds" means the Water Revenue Bonds, Series 2007 B (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2007 B Bonds Reserve Account" means the Series 2007 B Bonds Reserve Account established by Section 4.01 hereof.

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

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated total cost of \$1,651,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2007 Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2007 Bonds of the Issuer, to be known as the "Water Revenue Bonds, Series 2007 A (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of \$360,000 for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project and (ii) paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes, and the "Water Revenue Bonds, Series 2007 B (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of \$82,000, for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project and (ii) paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes.

Section 3.02. Description of Bonds. The Series 2007 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2007 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.125% per annum, and shall be sold for the par value thereof.

The Series 2007 B Bonds 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 Series 2007 B Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.125% per annum, and shall be sold for the par value thereof.

The Series 2007 Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2007 Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2007 Bonds, and the right to principal of and stated interest on the Series 2007 Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2007 Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2007 Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2007 Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2007 Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2007 Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2007 Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2007 Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2007 Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2007 Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2007 Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2007 Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2007 Bonds shall cease to be such officer of the Issuer before the Series 2007 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2007 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2007 Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2007 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2007 Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2007 Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2007 Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2007 Bonds as the same become due.

Section 3.08. Form of Bonds. Subject to the provisions hereof, the text of the Series 2007 Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

\$360,000

FOR VALUE RECEIVED, GAP MILLS 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 THREE HUNDRED SIXTY THOUSAND (\$360,000), plus interest on the unpaid principal balance at the rate of 4.125% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,566.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2007 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$82,000, ISSUED SIMULTANEOUSLY HEREWITH.

IN WITNESS WHEREOF, GAP MILLS 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.

GAP MILLS PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P.O. Box 117
P. O. Box No. or Street Address)

Gap Mills, West Virginia 24941
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$, 2007	(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	\$	<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:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1

\$82,000

FOR VALUE RECEIVED, GAP MILLS 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 EIGHTY TWO THOUSAND DOLLARS (\$82,000), plus interest on the unpaid principal balance at the rate of 4.125% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$357.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2007 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$360,000, ISSUED SIMULTANEOUSLY HERewith.

IN WITNESS WHEREOF, GAP MILLS 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.

GAP MILLS PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P.O. Box 117
P. O. Box No. or Street Address)

Gap Mills, West Virginia 24941
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(19) \$	2007
(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		\$	<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 with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund; and
- (2) Project Construction Account.

Section 4.02. 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 2007 A Bonds Reserve Account; and
- (2) Series 2007 B Bonds Reserve Account.

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2007 Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The monies in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

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

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2007 Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

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

Section 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2007 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the respective Series 2007 Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the respective Series 2007 Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2007 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:

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

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Series 2007 Bonds, transfer from the Revenue Fund (i) beginning 30 days following the Closing Date, remit to the National Finance Office, the amounts required to pay the interest on the Series 2007 A Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on and principal of the Series 2007 A Bonds over the life of the Bond issue; and (ii) beginning 30 days following the Closing Date, remit to the

National Finance Office, the amounts required to pay the interest on the Series 2007 B Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on and principal of the Series 2007 B Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Series 2007 Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, transfer from the Revenue Fund and remit (i) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2007 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2007 A Bonds Reserve Account equals the minimum reserve; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the minimum reserve; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2007 B Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2007 B Bonds Reserve Account equals the minimum reserve; provided that, no further payments shall be made into the Series 2007 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the minimum reserve. Monies in the respective Series 2007 Bonds Reserve Accounts shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2007 Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2007 Bonds, or for mandatory prepayment of the Series 2007 Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the respective Series

2007 Bonds Reserve Accounts, so long as the Series 2007 Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

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

Whenever the money in the Series 2007 A Bonds Reserve Account shall be sufficient to prepay the Series 2007 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2007 A Bonds at the earliest practical date and in accordance with applicable provisions hereof

Whenever the money in the Series 2007 B Bonds Reserve Account shall be sufficient to prepay the Series 2007 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2007 B Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2007 Bonds Reserve Accounts as herein provided, and all amounts required for the Series 2007 Bonds Reserve Accounts will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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

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 Series 2007 Bonds and the interest thereon

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

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2007 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission, at the direction of the Issuer, shall keep the monies in the Series 2007 Bonds Reserve Accounts invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2007 Bonds Reserve Accounts, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution

that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2007 Bonds, provide evidence that there will be at least 189 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 2007 Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$442,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into a credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2007 Bonds or the Grants. The Notes do not and

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2007 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2007 Bonds Reserve Accounts a sum sufficient to prepay the entire principal of the Series 2007 Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2007 Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2007 Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2007 Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

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

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

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System,

procure, carry and maintain, so long as the Series 2007 Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2007 Bonds.

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

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

of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

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

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

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2007 Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2007 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 and shall take effect immediately upon the delivery of the Series 2007 Bonds.

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

(a) Failure to make payment of any monthly amortization installment upon the Series 2007 Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2007 Bonds or herein, or

violation of or failure to observe any provision of any pertinent law.

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

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

Section 5.09. Fiscal Year; Budget. While the Series 2007 Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

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

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments

provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

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

Section 5.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

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

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2007 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 Recommended Decision entered on May 16, 2005, Recommended Decision entered September 13, 2005 and Commission Order dated April 9, 2007 of the Public Service Commission of West Virginia, in Case No. 04-1707-PWD-CN, which Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2007 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2007 Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2007 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2007 Bonds, the Issuer may not defease the Series 2007 Bonds or otherwise provide for payment thereof by escrow or like manner.

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

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2007 Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2007 Bonds.

Section 7.05. Conflicting Provisions Repealed. 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.

[Remainder of Page Intentionally Blank]

Adopted this 17th day of May, 2007.

GAP MILLS PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board
of GAP MILLS PUBLIC SERVICE DISTRICT on the 17th day of May, 2007

Dated: May 21, 2007.

[SEAL]

Secretary

03.22.07
319040.00001

GAP MILLS PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)**

BOND RESOLUTION

Table of Contents

**ARTICLE I
STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS**

Section 1.01	Authority for This Resolution
Section 1.02	Findings and Determinations
Section 1.03	Bond Legislation Constitutes Contract
Section 1.04	Definitions

**ARTICLE II
AUTHORIZATION ACQUISITION AND
CONSTRUCTION OF THE PROJECT**

Section 2.01	Authorization of Acquisition and Construction of the Project
--------------	--

**ARTICLE III
AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS**

Section 3.01	Authorization of Bonds
Section 3.02	Description of Bonds
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds
Section 3.04	Bond Registrar
Section 3.05	Execution of Bonds
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07	Bonds Secured by Pledge of Net Revenues
Section 3.08	Form of Bond
	FORM OF BOND SERIES 2007 A
	FORM OF BOND SERIES 2007 B

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
- Section 4.02 Establishment of Funds and Accounts with Commission
- Section 4.03 Bond Proceeds; Project Construction Account
- Section 4.04 Covenants of the Issuer as to System Revenues and Funds
- Section 4.05 Interim Construction Financing

ARTICLE V
GENERAL COVENANTS, ETC.

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

ARTICLE VI
RATES, ETC.

- Section 6.01 Initial Schedule of Rates and Charges; Rules

ARTICLE VII
MISCELLANEOUS

- Section 7.01 Payment of Bonds
- Section 7.02 Modification or Amendment
- Section 7.03 Delivery of Bonds
- Section 7.04 Severability of Invalid Provisions
- Section 7.05 Conflicting Provisions Repealed
- Section 7.06 Table of Contents and Headings
- Section 7.07 Covenant of Due Procedure, Etc.

Section 7.08 Effective Time
SIGNATURES
CERTIFICATION

GAP MILLS PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF GAP MILLS PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$360,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$82,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF GAP MILLS 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. Gap Mills Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Monroe County of said State, duly created pursuant to the Act by The County Commission of Monroe County.

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

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

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of certain additions and improvements to its water system in Monroe County including installation of 8 inch, 6 inch, 4 inch and 2 inch water line, two booster stations, one water storage tank and construct a new office/water treatment building, together 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 existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$1,651,000, of which \$360,000 will be obtained from the proceeds of sale of the Series 2007 A Bonds \$82,000 will be obtained from the proceeds of the sale of the Series 2007 B Bonds, both herein authorized and \$1,209,000 will be obtained as a grant from the Purchaser.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2007 A (United States Department of Agriculture) (the "Series 2007 A Bonds") in the total aggregate principal amount of not more than \$360,000 to finance a portion of the cost of such acquisition and construction and to pay costs of issuance thereof and related costs, and it is necessary for the Issuer to issue its Water Revenue Bonds, Series 2007 B (United States Department of Agriculture) (the "Series 2007 B Bonds"), in the aggregate principal amount of \$82,000 (the Series 2007 A Bonds and Series 2007 B Bonds collectively know as the "Series 2007 Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2007 Bonds

prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are no outstanding obligations of the Issuer which will rank on a parity with the Series 2007 Bonds as to liens, pledge and source of and security for payment.

H. It is in the best interest of the Issuer that the Series 2007 Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated January 23, 2002, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2007 Bonds, or will have so complied prior to issuance of the Series 2007 Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2007 Bonds.

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

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

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

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

"Bonds" means the Series 2007 Bonds.

"Chairman" means the Chairman of the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2007 Bonds for all or a portion of the proceeds of the Series 2007 Bonds from the Purchaser.

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

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

"Depository Bank" means the Bank of Monroe, Union, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated January 23, 2002, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2007 Bonds in the then current or any succeeding year.

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

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

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

"Project Construction Account" means the Project Construction Account established by Section 4.01 hereof.

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

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

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

evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

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

repurchase agreement shall have a prior perfected security interest in the collateral therefor, must have (or its agent must have) possession of such collateral, and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the West Virginia Code of 1931; 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.

"Reserve Fund" means the Reserve Fund established by Section 4.01 hereof.

"Resolutions" means the Bond Legislation.

"Revenue Fund" means the Revenue Fund established by Section 4.01 hereof.

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

"Secretary" means the Secretary of the Governing Body.

"Series 2007 Bonds" means, collectively, the Series 2007 A Bonds and the Series 2007 B Bonds.

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account established by Section 4.01 hereof.

"Series 2007 B Bonds" means the Water Revenue Bonds, Series 2007 B (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2007 B Bonds Reserve Account" means the Series 2007 B Bonds Reserve Account established by Section 4.01 hereof.

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

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated total cost of \$1,651,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2007 Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2007 Bonds of the Issuer, to be known as the "Water Revenue Bonds, Series 2007 A (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of \$360,000 for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project and (ii) paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes, and the "Water Revenue Bonds, Series 2007 B (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of \$82,000, for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project and (ii) paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes.

Section 3.02. Description of Bonds. The Series 2007 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2007 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.125% per annum, and shall be sold for the par value thereof.

The Series 2007 B Bonds 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 Series 2007 B Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.125% per annum, and shall be sold for the par value thereof.

The Series 2007 Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2007 Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2007 Bonds, and the right to principal of and stated interest on the Series 2007 Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2007 Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2007 Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2007 Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2007 Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2007 Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2007 Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2007 Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2007 Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2007 Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2007 Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2007 Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2007 Bonds shall cease to be such officer of the Issuer before the Series 2007 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2007 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2007 Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2007 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2007 Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2007 Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2007 Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2007 Bonds as the same become due.

Section 3.08. Form of Bonds. Subject to the provisions hereof, the text of the Series 2007 Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

\$360,000

FOR VALUE RECEIVED, GAP MILLS 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 THREE HUNDRED SIXTY THOUSAND (\$360,000), plus interest on the unpaid principal balance at the rate of 4.125% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,566.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2007 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$82,000, ISSUED SIMULTANEOUSLY HEREWITH.

IN WITNESS WHEREOF, GAP MILLS 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.

GAP MILLS PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P.O. Box 117
P. O. Box No. or Street Address)

Gap Mills, West Virginia 24941
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(19) \$, 2007
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	
TOTAL		\$	

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1

\$82,000

FOR VALUE RECEIVED, GAP MILLS 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 EIGHTY TWO THOUSAND DOLLARS (\$82,000), plus interest on the unpaid principal balance at the rate of 4.125% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$357.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2007 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$360,000, ISSUED SIMULTANEOUSLY HERewith.

IN WITNESS WHEREOF, GAP MILLS 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.

GAP MILLS PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P.O. Box 117
P. O. Box No. or Street Address)

Gap Mills, West Virginia 24941
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(19) \$, 2007
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	
TOTAL		\$	

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

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

- (1) Revenue Fund; and
- (2) Project Construction Account.

Section 4.02. 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 2007 A Bonds Reserve Account; and
- (2) Series 2007 B Bonds Reserve Account.

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2007 Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The monies in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

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

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2007 Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

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

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

So long as any of the Series 2007 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the respective Series 2007 Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the respective Series 2007 Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2007 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:

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

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Series 2007 Bonds, transfer from the Revenue Fund (i) beginning 30 days following the Closing Date, remit to the National Finance Office, the amounts required to pay the interest on the Series 2007 A Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on and principal of the Series 2007 A Bonds over the life of the Bond issue; and (ii) beginning 30 days following the Closing Date, remit to the

National Finance Office, the amounts required to pay the interest on the Series 2007 B Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on and principal of the Series 2007 B Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Series 2007 Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, transfer from the Revenue Fund and remit (i) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2007 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2007 A Bonds Reserve Account equals the minimum reserve; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the minimum reserve; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2007 B Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2007 B Bonds Reserve Account equals the minimum reserve; provided that, no further payments shall be made into the Series 2007 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the minimum reserve. Monies in the respective Series 2007 Bonds Reserve Accounts shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2007 Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2007 Bonds, or for mandatory prepayment of the Series 2007 Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the respective Series

2007 Bonds Reserve Accounts, so long as the Series 2007 Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

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

Whenever the money in the Series 2007 A Bonds Reserve Account shall be sufficient to prepay the Series 2007 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2007 A Bonds at the earliest practical date and in accordance with applicable provisions hereof

Whenever the money in the Series 2007 B Bonds Reserve Account shall be sufficient to prepay the Series 2007 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2007 B Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2007 Bonds Reserve Accounts as herein provided, and all amounts required for the Series 2007 Bonds Reserve Accounts will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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

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 Series 2007 Bonds and the interest thereon

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

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2007 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission, at the direction of the Issuer, shall keep the monies in the Series 2007 Bonds Reserve Accounts invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2007 Bonds Reserve Accounts, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution

that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. **USER CONTRACTS.** The Issuer shall, prior to delivery of the Series 2007 Bonds, provide evidence that there will be at least 189 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 2007 Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$442,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into a credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2007 Bonds or the Grants. The Notes do not and

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2007 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2007 Bonds Reserve Accounts a sum sufficient to prepay the entire principal of the Series 2007 Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2007 Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2007 Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2007 Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

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

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

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System,

procure, carry and maintain, so long as the Series 2007 Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2007 Bonds.

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

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

of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

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

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

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2007 Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2007 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 and shall take effect immediately upon the delivery of the Series 2007 Bonds.

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

(a) Failure to make payment of any monthly amortization installment upon the Series 2007 Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2007 Bonds or herein, or

violation of or failure to observe any provision of any pertinent law.

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

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

Section 5.09. Fiscal Year; Budget. While the Series 2007 Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

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

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments

provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

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

Section 5.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

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

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2007 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 Recommended Decision entered on May 16, 2005, Recommended Decision entered September 13, 2005 and Commission Order dated April 9, 2007 of the Public Service Commission of West Virginia, in Case No. 04-1707-PWD-CN, which Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2007 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2007 Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2007 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2007 Bonds, the Issuer may not defease the Series 2007 Bonds or otherwise provide for payment thereof by escrow or like manner.

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

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2007 Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2007 Bonds.

Section 7.05. Conflicting Provisions Repealed. 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.

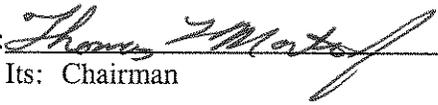
Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular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

[Remainder of Page Intentionally Blank]

Adopted this 17th day of May, 2007.

GAP MILLS PUBLIC SERVICE DISTRICT

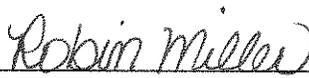
By: 
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board
of GAP MILLS PUBLIC SERVICE DISTRICT on the 17th day of May, 2007

Dated: May 21, 2007.

[SEAL]



Secretary

03.22.07
319040.00001

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 9th day of April, 2007.

CASE NO. 04-1707-PWD-CN

GAP MILLS PUBLIC SERVICE DISTRICT,
Application for a certificate of convenience
and Necessity to construct additions and
improvements to existing water system.

COMMISSION ORDER

On October 19, 2004, Gap Mills Public Service District (District) filed an application with the Commission for a Certificate of Convenience and Necessity to construct certain additions and improvements to its water system in Monroe County. The project is estimated to cost approximately \$1,160,000, to be funded by a USDA-Rural Utilities Service (RUS) loan in the amount of \$360,000 and a RUS grant in the amount of \$800,000.

By Recommended Decision issued on May 16, 2005, (Final Order, October 3, 2005), the Commission approved the District's certificate application, project financing and the Commission Staff (Staff) recommended rates.

On March 21, 2007, the District filed a petition to reopen the certificate case due to the fact that bids received were \$491,000 over estimated amounts. The District states in its petition that it will fund the increased project cost with an \$82,000 RUS loan for 40 years at 4.125% and a \$409,000 RUS grant. The District did not submit a commitment letter for the additional RUS funding. The District has requested expedited service as bids are scheduled to expire on April 10, 2007.

On April 4, 2007, Staff filed an Initial and Final Joint Staff Memorandum recommending that the petitions to reopen be granted. In addition, Staff recommended approval of (1) the increased project cost in the amount of \$1,651,000 and (2) the proposed RUS loan of \$82,000 at 4.125% for 40 years and the RUS grant of \$409,000, contingent upon the commitment letter being filed. Staff noted that the rates approved in the May 16, 2005 Recommended Decision should remain as the approved rates following substantial completion of the project.

DISCUSSION

The Commission shall approve (1) the increased project cost of \$1,651,000; (2) the RUS loan of \$82,000, at 4.125% maturing after 40 years; and (3) the RUS grant in the amount of \$409,000.

FINDINGS OF FACT

1. On March 21, 2007, the District filed a petition to reopen this certificate case due to the fact that bids received were \$491,000 over estimated amounts.
2. On April 4, 2007 Staff filed its Initial and Final Joint Staff Memorandum recommending approval of the increased project cost and additional funding.
3. The RUS loan and RUS grant will not impact the District's previously approved rates.

CONCLUSIONS OF LAW

It is reasonable to approve (1) the increased project cost of \$1,651,000; (2) the RUS loan of \$82,000, at 4.125% maturing after 40 years; and (3) the RUS grant in the amount of \$409,000.

ORDER

IT IS THEREFORE ORDERED that the Gap Mills Public Service District's increased project cost of \$1,651,000 is hereby approved, contingent upon the District's submission of a commitment letter for the additional RUS funding.

IT IS FURTHER ORDERED that the RUS loan of \$82,000, at 4.125% maturing after 40 years, is hereby approved, contingent upon the District's submission of a commitment letter for the additional RUS funding.

IT IS FURTHER ORDERED that the RUS grant in the amount of \$409,000 is hereby approved, contingent upon the District's submission of a commitment letter for the additional RUS funding.

IT IS FURTHER ORDERED that the District request a reopening of this case should there be any changes in the plans, scope, or terms of financing of the project.

IT IS FURTHER ORDERED that except as amended herein, the Recommended Decision issued May 16, 2007 (Final Order, October 3, 2005), including the rates and charges approved therein, shall remain in full force and effect.

IT IS FURTHER ORDERED that upon entry of this Order this case shall be removed from the Commission's docket of open cases.

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

A True Copy, Teste:


Sandra Squire
Executive Secretary

MEB/las
041707cb.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: September 13, 2005

CASE NO. 04-1707-PWD-CN

GAP MILLS PUBLIC SERVICE DISTRICT

Application for a certificate of convenience
and necessity to construct water system
improvements and water system extensions.

RECOMMENDED DECISION

By Recommended Decision entered on May 16, 2005, and final on May 29, 2005, by Commission Order, a certificate of convenience and necessity was issued to Gap Mills Public Service District (District), to construct certain additions and improvements to its water system in Monroe County. The specified financing for the project, consisting of a United States Department of Agriculture-Rural Utilities Service loan in the amount of \$360,000 and an RUS grant in an amount of \$800,000, was approved. Additionally, the Staff-recommended rates and charges, attached to said decision as Appendix A, were approved to become effective for all service rendered by the District on and after the date that the certificated project was placed into service. Finally, if the scope, plans or financing of the project changed for any reason, the District was directed to obtain prior Commission approval of such changes before commencing construction.

On June 14, 2005, the District filed a petition to reopen this matter, stating that Commission Staff had advised the District that the rates in the certificate proceeding needed to be adjusted to reflect any increase in rates awarded in Case No. 05-0183-PWD-19A, a general rate proceeding for Gap Mills Public Service District. The rate adjustments would be necessary to allow the District to recover all costs associated with the certificate case.

On July 26, 2005, Staff Attorney Cecelia Jarrell filed the Initial Joint Staff Memorandum in this proceeding, attached to which was the Initial Internal Memorandum prepared by Technical Analyst James Spurlock of the Engineering Division, and Utilities Analyst Scott McNeely of the Water and Wastewater Division. Commission Staff indicated that the rates approved in the instant proceeding were based on the District's Annual Report for the year ended June 30, 2004. Approval of increased base rates in Case No. 05-0183-PWD-19A will change the basis on which the

rates in the certificate case should be established. Staff will need to adjust the certificate case rates to base them on the rates from the 19A proceeding in order to make sure that all costs associated with the certificated project are recovered. Staff indicated that it was requesting certain additional information from Gap Mills Public Service District. Additionally, Commission Staff indicated that it needed to know whether project bids had been awarded and, if so, the amount of the bids. Commission Staff also needed to know whether the District had closed on the project funding. These issues are important because, depending upon the circumstances, the certificate rates might require further adjustment. The Staff Attorney pointed out that it would be better for Commission Staff to consider all necessary adjustments to the project rates at one time so that only one rate adjustment would be required. Commission Staff indicated that it needed to speak to someone from the District or the District's attorney regarding this matter as soon as possible.

By Commission Referral Order entered on August 3, 2005, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before October 6, 2005.

On September 6, 2005, Staff Attorney Jarrell filed a Final Joint Staff Memorandum in this proceeding, attached to which was the Final Internal Memorandum prepared by Mr. Spurlock and Mr. McNeely. According to Commission Staff, after consulting with the District's attorney, Staff has learned that the project has not been put out for bid and is not likely to be put out for bids until at least the end of September. The District's attorney expressed the opinion that one reopening of the certificate case was preferable to deal with both potential rate adjustments. The Staff Attorney suggested to the District that there were two possible ways to solve the problem, i.e., the District could file a request that its petition to reopen be withdrawn and then file another petition to reopen after the results of the bidding are known or, in the alternative, the District could request an extension of the current decision due date. Technical Staff had calculated revised rates to reflect the results of the base rate increase in Case No. 05-0183-PWD-19A. However, these revised rates do not contain any project-related adjustments which might result if project bids come in higher than the Commission-approved estimated project costs. If the bids come in higher than the approved project costs, the District may need additional project funding and a further rate adjustment. Commission Staff recommended that the Administrative Law Judges Division issue an order requesting that the District advise the Commission, in writing, how it desires to proceed with this matter. If the District wants to proceed with this current reopening and have its project rates adjusted to comport with the District's recent rate case, the necessary Staff recommendation is now available. The Staff Attorney noted that there may also be the need for additional public notice regarding the certificate reopening and the resulting rate increase.

By letter filed on September 8, 2005, Gap Mills Public Service District requested that its petition for reopening be withdrawn. According to the letter, based on the current bidding environment, the District does not know if its engineering forecasts are accurate. In the event it needs additional borrowing authority and, as a result, addi-

tional rate relief, it will file a petition to reopen this proceeding after the bids are received. Gap Mills Public Service District pledged to supply to Staff, with its subsequent petition to reopen, any information which Staff requires so that it can process the reopening in time to award the bids during the bid hold period.

Upon consideration of all of the above, the District's request to withdraw its petition for reopening at this time will be granted, and this matter will be dismissed, without prejudice.

FINDINGS OF FACT

1. On June 14, 2005, Gap Mills Public Service filed a petition to reopen the above-styled and numbered proceeding, in order to adjust the rates approved to support the certificated project, to reflect the base rate increase to be granted in Case No. 05-0183-PWD-19A. (See, letter filed June 14, 2005; Initial Joint Staff Memorandum filed July 26, 2005).

2. Commission Staff made the necessary rate adjustments, but also pointed out that, since the project has not been put out for bid, if the project bids are higher than the approved project costs, the District may require additional funding or further rate adjustment which would require another reopening of this proceeding. Staff suggested various alternatives for the District's consideration. (See, Initial Joint Staff Memorandum filed July 26, 2005; Final Joint Staff Memorandum and attachment filed September 6, 2005).

3. Gap Mills Public Service District requested permission to withdraw its petition for reopening at this time, indicating that, after the bids have been received on the project, it will submit a revised petition to reopen, at which time the rate adjustments needed to reflect the impact of the 19A proceeding and any bid overruns and/or funding adjustments can be considered together. (See, letter filed September 8, 2005).

CONCLUSION OF LAW

It is reasonable to allow Gap Mills Public Service District to withdraw the petition to reopen the instant proceeding, filed herein on June 14, 2005, and to remove this proceeding from the Commission's docket of open cases.

ORDER

IT IS, THEREFORE, ORDERED that the petition to reopen the instant proceeding filed by Gap Mills Public Service District on June 14, 2005, be, and it hereby is, dismissed, without prejudice, and stricken from the Commission's docket of open cases.

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

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

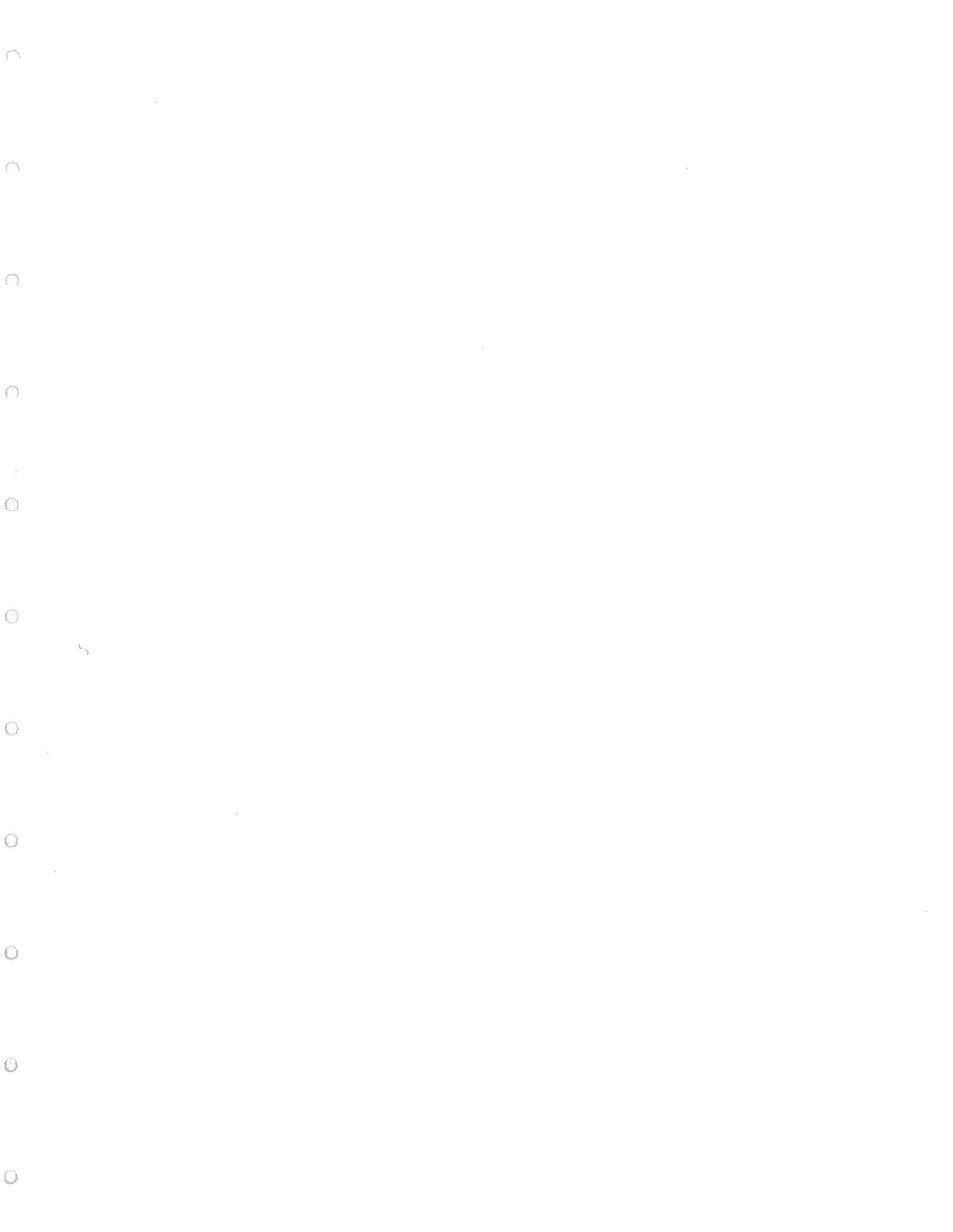
If no exceptions are so filed, this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

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



Melissa K. Marland
Chief Administrative Law Judge

MKM:mal
041707aa.wpd



GAP MILLS PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)

RECEIPT FOR BONDS

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

1. On the 21st day of May, 2007, at Gap Mills, West Virginia, the undersigned received for the Purchaser the single, fully registered Gap Mills Public Service District Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$360,000 and the single fully registered Gap Mills Public Service District Water Revenue Bonds, Series 2007 B (United States Department of Agriculture), No. BR-1, in the principal amount of \$82,000 (collectively, the "Bonds"), dated the date hereof, each bearing interest at the rate of 4.125% per annum, payable in monthly installments as stated in the Bonds. The Bonds represent the entire above-captioned Bond issues.

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

3. At the time of such receipt, there was paid to the Issuer the sum of \$130,000.00 being a portion of the principal amount of the Series 2007 A Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

4. At the time of such receipt, there was paid to the Issuer the sum of \$4,145.00 being a portion of the principal amount of the Series 2007 B Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Blank]

WITNESS my signature on the date first listed above.


Authorized Representative

319040.00001

CH882627.1

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

\$360,000

FOR VALUE RECEIVED, GAP MILLS 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 THREE HUNDRED SIXTY THOUSAND (\$360,000), plus interest on the unpaid principal balance at the rate of 4.125% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,566.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted May 17, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2007 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 21, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$82,000, ISSUED SIMULTANEOUSLY HEREWITH.

IN WITNESS WHEREOF, GAP MILLS 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.

GAP MILLS PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

Thomas J. ...
(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P.O. Box 117
(P. O. Box No. or Street Address)

Gap Mills, West Virginia 24941
(City, State and Zip Code)

ATTEST

Robin ...
(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$ 130,000	May 21 , 2007	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$ _____

(Form of Assignment)

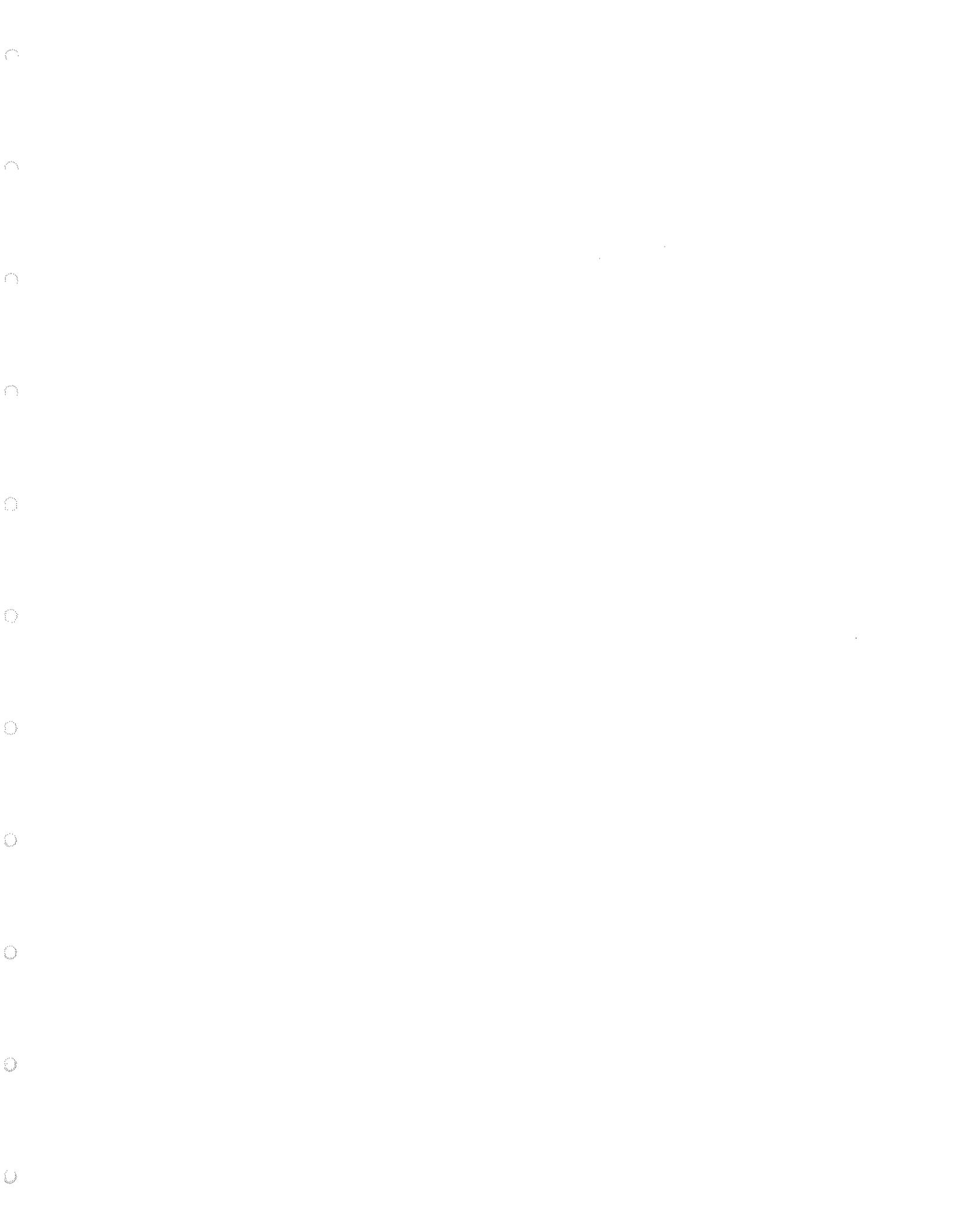
ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:



SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1

\$82,000

FOR VALUE RECEIVED, GAP MILLS 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 EIGHTY TWO THOUSAND DOLLARS (\$82,000), plus interest on the unpaid principal balance at the rate of 4.125% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$357.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, and (ii) to pay costs of issuance and related costs.

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted May 17, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 2007 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 21, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$360,000, ISSUED SIMULTANEOUSLY HEREWITH.

IN WITNESS WHEREOF, GAP MILLS 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.

GAP MILLS PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

Thomas J. [Signature]
(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P.O. Box 117
(P. O. Box No. or Street Address)

Gap Mills, West Virginia 24941
(City, State and Zip Code)

ATTEST:

Roberts Miller
(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$ 4,145.00	May 21, 2007	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 A
(UNITES STATES DEPARTMENT OF AGRICULTURE)

\$360,000

REGISTRATION BOOKS

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

<u>Bond No.</u>	<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Secretary of Registrar</u>
<u>AR-1</u>	<u>May 21, 2007</u>	<u>United States Department of Agriculture</u>	<u><i>Robin Miller</i></u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>

319040.00001

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAP MILLS PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$82,000

REGISTRATION BOOKS

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

<u>Bond No.</u>	<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Secretary of Registrar</u>
<u>BR-1</u>	<u>May 21, 2007</u>	<u>United States Department of Agriculture</u>	<u><i>Robin Miller</i></u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>

319040.00001



May 21, 2007

Gap Mills Public Service District
Water Revenue Bonds, Series 2007 A
(United States Department of Agriculture)

Gap Mills Public Service District
Gap Mills, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Gap Mills Public Service District in Monroe County, West Virginia (the "Issuer"), of its \$360,000 Water Revenue Bonds, Series 2007 A, dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted May 17, 2007 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds, on a parity with the Issuer's Water Revenue Bonds, Series 2007 B (United States Department of Agriculture), dated May 21, 2007, in the original aggregate principal amount of \$82,000 issued simultaneously herewith.
4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

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

6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of said State, and interest on the Bonds is exempt from personal income taxes and corporate net income taxes imposed directly thereon by the State of West Virginia.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Resolution and the liens and pledges set forth therein may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,


STEPHENS & JOHNSON PLLC



May 21, 2007

Gap Mills Public Service District
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)

Gap Mills Public Service District
Gap Mills, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Gap Mills Public Service District in Monroe County, West Virginia (the "Issuer"), of its \$82,000 Water Revenue Bonds, Series 2007 B, dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted May 17, 2007 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds, on a parity with the Issuer's Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), dated May 21, 2007, in the original aggregate principal amount of \$360,000 issued simultaneously herewith.
4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

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

6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of said State, and interest on the Bonds is exempt from personal income taxes and corporate net income taxes imposed directly thereon by the State of West Virginia.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Resolution and the liens and pledges set forth therein may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,


STEPH & JOHNSON PLLC

03.22.07
319040.00001

LAW OFFICES
WILLIAM S. WINFREY, II.

W. Va. State Bar 4093
1608 West Main Street
Post Office Box 1159
Princeton, West Virginia 24740
bill@winfreylaw.com

Telephone: (304)487-1887

Facsimile: (304)425-7340

May 21, 2007

File No. 01-019

Gap Mills Public Service District
Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)

Gap Mills Public Service District
Gap Mills, West Virginia

United States Department of Agriculture
Beckley, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Gap Mills Public Service District, a public service district in Monroe County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinions of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted May 17, 2007 (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Monroe County relating to the creation and expansion of the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

I am of the opinion that:

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

2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

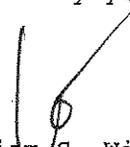
3. The Resolution has been duly adopted by the Issuer and is in full force and effect.

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from The County Commission of Monroe County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges.

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

Very truly yours,


William S. Winfrey, II

GAP MILLS PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)

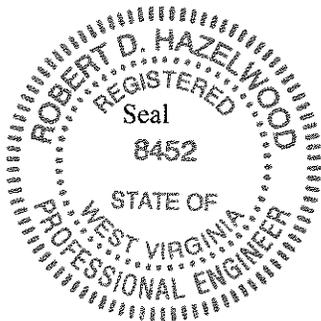
ENGINEER'S CERTIFICATE

I, Robert D. Hazelwood, Registered Professional Engineer, West Virginia License No. 8452, of Pentree, Inc., Princeton, West Virginia, hereby certify that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing waterworks system (the "System") of Gap Mills Public Service District (the "Issuer"), to be acquired and constructed in Monroe County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

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

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

WITNESS my signature on this 21st day of May, 2007.



PENTREE, INC.

Robert D. Hazelwood

Robert D. Hazelwood, P.E.
West Virginia License No. 8452

319040.00001

GAP MILLS PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BOND
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES, ETC.
6. CERTIFICATION OF COPIES OF DOCUMENTS
7. INCUMBENCY AND OFFICIAL NAME, ETC.
8. DELIVERY AND PAYMENT AND USE OF PROCEEDS
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
11. CONTRACTORS' INSURANCE, ETC.
12. CONNECTIONS, ETC.
13. MANAGEMENT
14. GRANTS
15. CONFLICT OF INTEREST
16. PROCUREMENT OF ENGINEERING SERVICES
17. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Gap Mills Public Service District in Monroe County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify, on this the 21st day of May, 2007, in connection with the Gap Mills Public Service District Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$360,000 and bearing interest at the rate of 4.125% per annum (the "Series 2007 A Bonds") and the Gap Mills Public Service District Water Revenue Bonds, Series 2007 B (United States Department of Agriculture), No. BR-1, dated the date hereof, fully registered, in the principal amount of \$82,000 and bearing interest at the rate of 4.125% per annum (the "Series 2007 B Bonds") (collectively, the "Bonds" or the "Series 2007 Bonds"), as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Bonds has been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions of the Purchaser, dated May 26, 2004, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted May 17, 2007, authorizing issuance of the Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Series 2007 Bonds are being issued to finance a portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

2. NO LITIGATION: No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the issuance and delivery of the Bonds or receipt of any grant monies committed for the System; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds; nor in any way questioning or affecting the validity of the grants committed for the System or the Bonds, or any provisions made or authorized for the payment thereof, including, without limitation, the pledge or application of any monies or security therefor; nor questioning the existence, powers or proceedings of the Issuer or its Public Service Board (the "Governing Body") or the title of the members and officers thereof to their respective offices; nor questioning the operation of the System or the acquisition and construction of the Project, a portion of the cost of which is being financed out of the proceeds of sale of the Bonds; nor questioning the rates and charges provided for services of the System.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, authorizations, registrations, exemptions, consents and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds, have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project were solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval by the Purchaser of a loan to assist in acquisition and construction of the Project.

There are no outstanding obligations of the Issuer which will rank on a parity with the Series 2007 Bonds as to liens, pledge and source of and security for payment.

5. SIGNATURES, ETC.: The undersigned Chairman and Secretary did, for the Issuer on the date of delivery of the Bonds on the date hereof, officially execute and

seal the Bonds with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected, appointed, qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer.

6. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended, supplemented or changed in any way unless modification appears from later documents also listed below:

Bond Resolution

Rules of Procedure

Affidavit of Publication of Notice of Filing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

Certified copies of the orders of The County Commission of Monroe County creating Gap Mills Public Service District

Certified copies of the orders of The County Commission of Monroe County appointing current members of the Public Service Board

Certified copies of the oaths of office of members of the Public Service Board

Public Service Commission Final Order

United States Department of Agriculture Letter of Conditions and Closing Instructions

United States Department of Agriculture Loan Agreements

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Gap Mills Public Service District" and its principal office is in Monroe County, West Virginia. The Issuer is a public service district and public corporation and

political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Tom Martin	July 6, 2005	June 30, 2011
Alma Griffith	February 21, 2006	February 20, 2012
Keith Cambell	July 1, 2003	June 30, 2009

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2007 are as follows:

Chairman	-	Tom Martin
Secretary/Treasurer	-	Robin Miller

The duly appointed and acting Attorney for the Issuer is William S. Winfrey, II, Esquire, of Princeton, West Virginia. The duly appointed secretary for the Issuer is Robin Miller.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Bonds were delivered to the Purchaser at Gap Mills, West Virginia, by the undersigned Chairman for the purposes set forth herein, and at the time of such delivery the Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Bond Resolution.

At the time of delivery of the Bonds, the amount of \$130,000.00 was received by the undersigned Chairman, being a portion of the entire principal amount of the Series 2007 A Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

At the time of delivery of the Bonds, the amount of \$4,145.00 was received by the undersigned Chairman, being a portion of the principal amount of the Series 2007 B Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

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

The Bonds and the entire proceeds thereof will be used for the purposes herein set forth and for no other purposes.

9. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition, construction, operation and maintenance of the Project and the System have been acquired or can and will be acquired by purchase, or if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

11. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Workers' Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Letter of Conditions of the Purchaser, as amended, and the Bond Resolution.

12. CONNECTIONS, ETC.: The Issuer will serve at least 189 bona fide full-time users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

13. MANAGEMENT: The Issuer has heretofore delivered to the Purchaser a plan concerning operation and management of the System, which plan was found to be acceptable by such Purchaser.

14. GRANTS: As of the date hereof, the grant from the United States Department of Agriculture in the amount of \$1,209,000 is committed and in full force and effect.

15. CONFLICT OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Bond Resolution and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Bond Resolution. For purposes of this paragraph,

a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

16. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

17. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Blank]

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

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Thomas Z. Mastrop

Chairman

Robin Miller

Secretary

Les B.

Attorney for Issuer

03.22.07
319040.00001



THE BANK OF GREENVILLE, GREENVILLE, WEST VIRGINIA.

The Bank of Greenville, having been designated as one of the County Depositories for public funds for the current fiscal year 1966-67, presented a bond in the penalty of \$25,000.00, and the Prosecuting Attorney having examined said bond and having found the same to be in due and legal form and conformable to the provisions of the law; said bond is hereby approved by this Court.

THE FIRST NATIONAL BANK OF PETERSTOWN, PETERSTOWN, WEST VIRGINIA.

The First National Bank of Peterstown, having been designated as one of the County Depositories for public funds for the current fiscal year 1966-67, presented a bond in the Penalty of \$25,000.00, and the Prosecuting Attorney having examined said bond and having found the same to be in due and legal form and conformable to the provisions of the law; said bond is hereby approved by this Court.

|||||

H. R. GUERING APPOINTED COMMISSIONER OF ACCOUNTS.

Upon Motion made, seconded and approved, this Court hereby appoints H. R. Guerin as Commissioner of Accounts of this Court.

|||||

Order Book 21 / 472

PUBLIC SERVICE DISTRICT CREATED.

At a regular meeting of the County Court of Monroe County, West Virginia, held at the Court House on the 5th day of July, 1966, at 9:30 A. M., there were present F. D. Sibold, President, and Roscoe C. Rowan and Robert M. Perry, Commissioners. F. D. Sibold introduced and caused to be read a proposed resolution and order entitled:

"A Resolution and Order Proposing the Creation of a Public Service District within Monroe County, West Virginia, and Providing for the Establishment of a Date of a Public Hearing Thereon and for Publication of a Notice of such Public Hearing"; and moved the adoption of said proposed resolution and order. Roscoe C. Rowan seconded said motion and, after due consideration, the President called for a vote upon said motion with the following result:

For the Motion: F. D. Sibold, President
Roscoe C. Rowan, Commissioner
Robert M. Perry, Commissioner

Against the motion; None

The said resolution and order follows:

"WHEREAS, the County Court of Monroe County, West Virginia, deeming it to be in the public interest, on its own motion proposes the creation of a public service district within Monroe County, West Virginia; and

"WHEREAS, pursuant to the provisions of Article 13A, Chapter 16, of the Code of West Virginia, a public hearing is required to be held relative to the creation of the proposed public service district.

"NOW, THEREFORE, BE IT RESOLVED, AND ORDERED BY the County Court of Monroe County, West Virginia, as follows:

"Section 1. That the County Court of Monroe County, West Virginia, deeming it to be in the public interest, hereby proposes the creation of a public service district within Monroe County, West Virginia, as provided by Article 13A of Chapter 16 of the Code of West Virginia.

"Section 2.

"a) The name and corporate title of said public service district shall be the Gap Mills Public Service District.

"b) The territory to be embraced in the public service district shall be as follows: The Gap Mills community extending for a distance of five miles in all directions from the bridge across Kitchen Creek, at the intersection of State Route No. 3 and the public road leading to Zenith, and further described on the map and plat prepared by Gates Engineering Company, which map and plat is on file in the Office of the Clerk of the County Court of Monroe County, West Virginia.

"c) The purpose of said public service district shall be to construct or acquire by purchase or otherwise and maintain, operate and improve and extend properties supplying water services within such territory.

"d) The territory described above does not include within its limits the territory of any other public service district organized under Article 13A of Chapter 16, Code of West Virginia.

"Section 3. That on the 1st day of August, 1966, at the hour of 10:30 A. M., this County Court shall meet in the Circuit Courtroom in the court house at Union, West Virginia, for the purpose of conducting a public hearing on the creation of the proposed public service district, at which time and place all persons residing in or owning or having any interest in property in the proposed public service district may appear and shall have an opportunity to be heard for and against the creation of said district, and, at such hearing, the County Court shall consider and determine the feasibility of the creation of the proposed public service district.

"Section 4. That the Clerk of this Court is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on July 14, 1966, and July 31, 1966 in The Monroe Watchman, a Newspaper of general circulation published in Monroe County.

"NOTICE OF PUBLIC HEARING ON CREATION OF GAP MILLS
PUBLIC SERVICE DISTRICT

"Notice is hereby given that, deeming it to be in the public interest, the County Court of Monroe County, West Virginia, on its own motion, as provided by law, has proposed the creation of a public service district within Monroe County for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation and extension of public service properties supplying water services within the district hereinafter described to be named Gap Mills Public Service District and having the following description:

The Gap Mills community extending for a distance of five miles in all directions from the bridge across Kitchen Creek, at the intersection of State Route No. 3 and the public road leading to Zenith, and further described on the map and plat prepared by Gates Engineering Company, which map and plat is on file in the Office of the Clerk of the County Court of Monroe County, West Virginia.

All persons residing in or owning or having any interest in property in said proposed public service district are hereby notified that the County Court of Monroe County will conduct a public hearing on the 1st day of August, 1966, at 10:30 A. M. in the Circuit Court room in the Court House at Union, West Virginia, at which time and place all interested persons may appear before the County Court and shall have an opportunity to be heard for and against the creation of the proposed public service district.

By order of the County Court this 5th day of July, 1966.

ATTEST: Harold C. McDonald
Clerk of the County Court of
Monroe County, West Virginia

IIIIIIIIIIIIIIIIIIII

ADJOURNMENT ORDER:

It is ordered that this Court be and the same is hereby adjourned until the 1st. day of August, 1966, at which time it will convene in Regular Session.

F. D. Sibold
PRESIDENT

IIIIIIIIIIIIIIIIIIII

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

AT A COUNTY COURT HELD FOR THE COUNTY OF MONROE AT THE COURT HOUSE THEREOF ON MONDAY, AUGUST, 1, 1966: PRESENT, F. D. SIBOLD, PRESIDENT, ROSCOE C. ROWAN AND ROBERT M. PERRY, ASSOCIATE COMMISSIONERS.

VACATION ORDERS APPROVED:

It is ordered that all orders and proceedings had before the Clerk of this Court in Vacation are hereby approved and confirmed.

IIIIIIIIIIIIIIIIIIII

H. L. SARVER, JR., NOTARY PUBLIC

H. L. Sarver, Jr., of Union, District, filed with the Court his application for re-appointment, as a Notary Public in and for the County of Monroe, and said applicant being recommended by Neva Baker, Hedrick, Circuit Clerk, Forrest Roles, Prosecuting Attorney, and E. G. Porterfield, Jr., Sheriff, and it being shown to the satisfaction of the Court that said applicant is a resident of this County and that he is a person of good moral character, said applicant is ordered certified to the Governor of West Virginia.

IIIIIIIIIIIIIIIIIIII

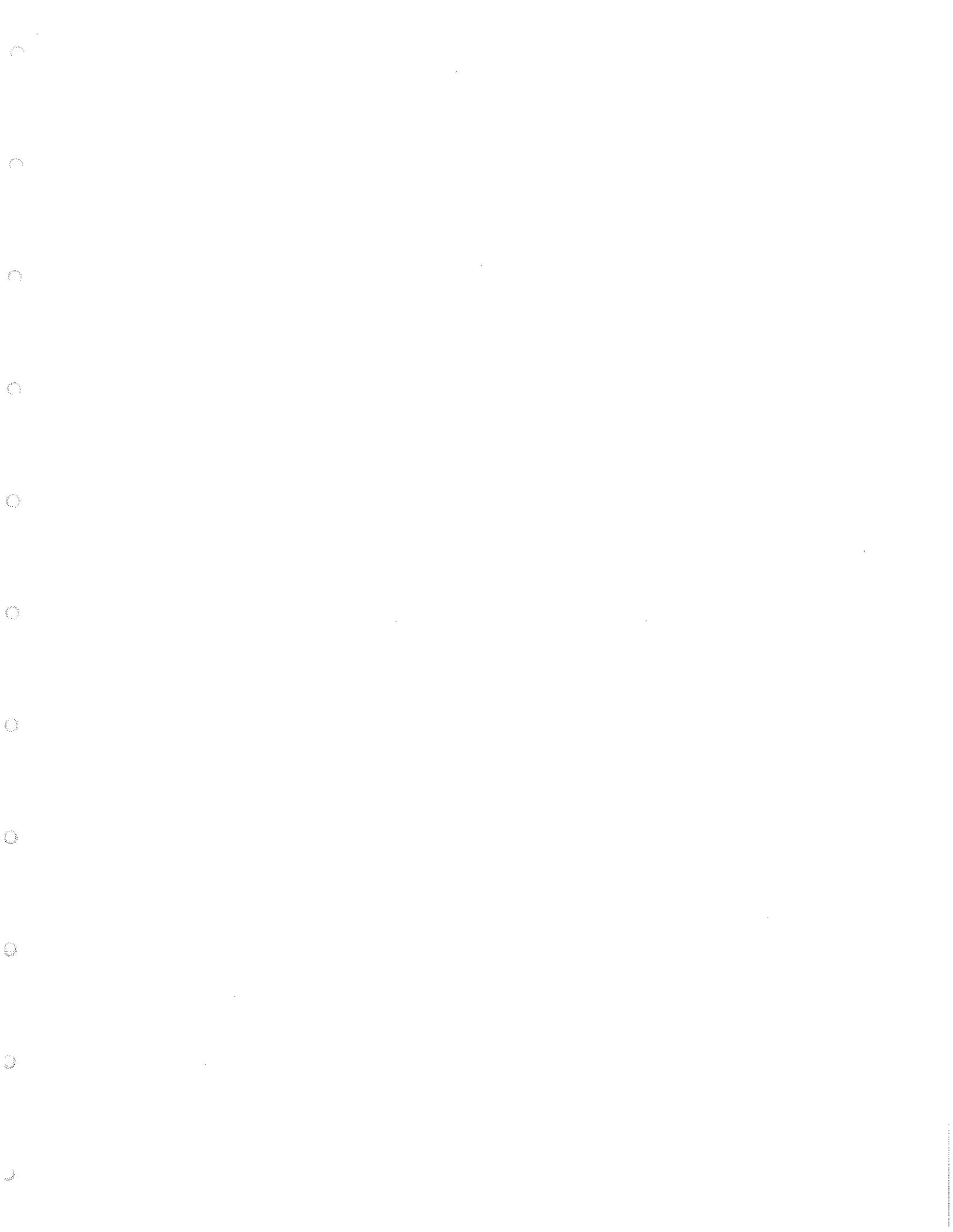
CHARLES H. ALLEN, NOTARY PUBLIC

Charles H. Allen, of Union District, filed with the Court his application for appointment, or renewal, as a Notary Public in and for the County of Monroe, and said applicant being recommended by Neva Baker Hedrick, Circuit Clerk, Forrest Roles, Prosecuting Attorney and E. G. Porterfield, Jr., Sheriff, and it being shown to the satisfaction of the Court that said applicant is a resident of this County and that he is a person of good moral character, said applicant is ordered certified to the Governor of West Virginia.

IIIIIIIIIIIIIIIIIIII

IRENE KARNES, NOTARY PUBLIC.

Irene Karnes, of Sweet Springs District, filed with the Court her application for appointment, as a Notary Public in and for the County of Monroe, and said applicant being recommended by Albert A. Fullen, Assessor, Forrest Roles, Prosecuting Attorney and E. G. Porterfield, Jr., Sheriff, and it being shown to the satisfaction of the Court that said



MONROE COUNTY COMMISSION

P.O. Box 350
UNION, WV 24983

DONALD J. EVANS, *Clerk*

DR. CRAIG MOHLER
OLIVER PORTERFIELD
JOYCE PRITT

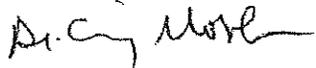
Gap Mills Public Service District
Gap Mills, WV 24941

February 21, 2006

Dear Board Members,

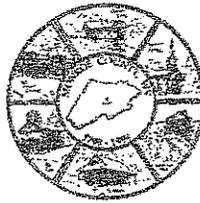
The Monroe County Commission has unanimously voted to appoint Alma Griffith as a member to the Gap Mills PSD Board of Directors.

Sincerely,



Dr. Craig Mohler, President
Monroe County Commission

Monroe County Commission



Members
Franklin G. Campbell
Dr. Craig Mohler
Oliver B. Porterfield

Monroe County Bicentennial, 1799 - 1999

Clerk
Donald J. Evans
P. O. Box 30
Union, West Virginia 24983
(304) 772-3096

Gap Mills Public Service District
Gap Mills WV 24941

July 8, 1999

Dear Board Members,

Please be advised that the Monroe County Commission unanimously appointed Thomas Martin to serve on the Gap Mills Public Service District Board of Directors. This appointment was made at the Commission's meeting on July 6, 1999. Please advise Mr. Martin of this appointment, as I do not have his address. Also advise Mr. Martin that he needs to take an oath and be sworn in. He can come by my office to do this. In addition, if any other board members have not been sworn in, they need to do the same as well.

Sincerely,
Donald J. Evans
Donald J. Evans
County Clerk

MONROE COUNTY COMMISSION MEETING MINUTES
TUESDAY, JULY 6, 1999

STATE OF WEST VIRGINIA,
COUNTY OF MONROE, TO WIT:

AT A REGULAR SESSION OF THE MONROE COUNTY COMMISSION HELD
IN AND FOR THE COUNTY OF MONROE AT THE COURTHOUSE ON THE
6TH DAY OF JULY, 1999 AT 9:00 A.M. WITH DR. CRAIG MOHLER,
PRESIDENT, OLIVER PORTERFIELD AND FRANKLIN CAMPBELL,
ASSOCIATE COMMISSIONERS, PRESENT.

QUINCE GOLFORD:

Quince Galford appeared before the Commission concerning the 911 service. Mr. Galford stated that his daughter was visiting him and was stung by a bee. She called 911 and asked the dispatchers to speak to a doctor. The 911 dispatcher told her that there was a doctor available through the Monroe Health Center, but they had to be a patient at the Health Center before 911 could contact them. Mr. Galford felt that since county residents paid they should be able to speak to a doctor when they called 911. Commissioners explained to Mr. Galford that the purpose of 911 was to dispatch emergency personnel, and it was not a policy of 911 to have a doctor available when someone calls 911.

✓ GAP MILLS PUBLIC SERVICE DISTRICT-THOMAS MARTIN:

Franklin Campbell made a motion to appoint Thomas Martin to the Gap Mills Public Service District Board of Directors. Oliver Porterfield seconded the motion. Vote was unanimous. Mr. Martin will fill a vacancy on this Board, and was recommended by the Gap Mills Public Service Board of Directors.

MONROE COUNTY PUBLIC LIBRARY BOARD OF TRUSTEES—TERRI PRITT:

Oliver Porterfield made a motion to appoint Terri Pritt as a member to the Monroe County Public Library Board of Trustees. Franklin Campbell seconded motion. Vote was unanimous. This term will be from July 1, 1999 to June 30, 2004.

JEFF DILLON, 911 DIRECTOR—EMERGENCY MEDICAL SERVICE REQUIREMENTS:

Commissioners met with 911 director Jeff Dillon. Commissioners had previously asked Dillon to prepare some requirements for All Emergency Medical Services operating in the county. Commissioners reviewed these requirements and authorized the County Clerk to send a copy of these requirements and authorized the County Clerk to send a copy of these requirements to all EMS Agencies and give them an opportunity to comment on said requirements. Commissioners unanimously agreed to act on these requirements at their August meeting.

GAP MILLS PUBLIC SERVICE DISTRICT
P. O. BOX 117
GAP MILLS, WEST VIRGINIA 24941

The Gap Mills PSD met at the Gap Mills Community Center for their monthly meeting on July 28th. Those attending were Steve Williams, Robin Miller, Charlie Walters, Tom Martin, Alma Griffith and Keith Campbell. Tom called the meeting to order, Robin read the June minutes, and presented the monthly report, both were approved as presented.

Old business was discussed. Tom had gotten the boxes of paperwork and the tables from Bill. Keith said that they could probably be stored at the Community Center if there was something to put them in. Robin will try to find out how long the paperwork and records need to be kept.

Steve asked board members if the PSD was going to be able to purchase the service truck from him. Discussion included the possibility of borrowing money from the bank or contacting the PSC to see if there was any funding available to do this. Steve was asked if there would be any funds available from the grant/loan money, but he said that there was none set aside for a truck, so unless there was monies left over from something else, there would be none available. Tom said that since the PSD had spent so much money on moving meters and still had another road bore to do, he thought it would be best to wait on purchasing the truck.

There was a brief discussion on raising the Sweet Springs Valley Water Company's raw water rates. Steve said that he felt if they were raised, that they would stop buying the water. Robin reported that she had not heard anything from Mr. Pentek about doing the annual audit, but expected to give the paperwork to him within the next few weeks.

Under new business, the Public Service Commission had chosen Keith Campbell as the PSD's new board member. Keith was in attendance and will attend the next available board members seminar. Steve said that he had the work at Gina Paynes and William Arwoods scheduled to be done on Friday, August 1st. This will include moving their meters and a road bore. Robin said that she had several customers who had not paid their bill and was past due to be cut off. Those included Charles Wiseman, Dale Allen, Carmel Church, Bobby Pitzer, Vaughnie Tripplett and Charles Hodge. A list of these customers was given to Charlie to collect their money or to cut off.

The meeting was adjourned and the next meeting will be held on August 25th.

OPERATION AND MAINTENANCE

Steve Williams	5469	613.09
Robin Miller	5470	465.92
Charlie Walters	5471	222.96
Tom Martin	5472	75.00
Alma Griffith	5473	75.00
Keith Campbell	5474	75.00
The Bank of Monroe (bond)	5475	281.00
The Bank of Monroe (IRS)	5476	367.06
Postmaster	5477	129.00
Allegheny Power	5478	41.46
Monroe Watchman	5479	6.84

Alma J. Griffith 08/25/11
Charles K. Campbell
Thomas J. Martin

Window Replacement

The County Clerk notified Commissioners that Mercer Glass was in the process of replacing the broken windows throughout the Courthouse. The project should be completed in a couple of days.

Gap Mills Public Service District

✓ Commissioners discussed appointing a replacement for William Hurt, who recently resigned, on the Gap Mills PSD. Present Board members Tom Martin and Alma Griffith called the County Clerk and recommended that Keith Campbell be appointed.

Commissioners also reviewed letters from Reed VanDenBerghe, Carolyn Snow, and Keith Campbell, all who were interested in serving on this board. Evelyn Hansbarger appeared at this meeting and requested that someone needed to be appointed who has an interest in the community. Ms. Hansbarger also expressed concern over the future of the water supply for the Gap Mill area. Commissioner Porterfield then made a motion to appoint Keith Campbell to the Gap Mills PSD. Commissioner Mohler second the motion. Motion carried 2-0. Commissioner Campbell abstained due to Keith Campbell is his son.

Deputy Sheriff Pay Schedule

Commissioners delayed any action on the proposed deputy sheriff's pay schedule until their July 11, 2003 special meeting.

Springfield Bonds

The Prosecuting Attorney said he is waiting on Springfield Comprehensive Care Center's legal counsel to call him concerning a question he had before offering an opinion of the sale of Mortgage Bonds for Springfield Center in Lindsie.

Department of Highways Easement

The Prosecuting Attorney said he is waiting on a legal description from the Summers County Prosecuting Attorney before preparing an easement between the County Commission and the WV Department of Highways on property located at Marie, near the Summers County line.

Strahle Construction Company/Edna Burwell

Commissioner Porterfield made a motion authorizing the Prosecuting Attorney to prepare a corrective deed for property sold by the County Commission to Strahle Construction Company. Strahle Construction Company is now wanting to sell the property but the attorney preparing the deed noticed that the date on the deed was prior to the date the President of the County Commission signed it. The Prosecuting Attorney will correct this technicality and re-record the deed. Commissioner Campbell second the motion. Vote was unanimous.

Court Security Grant 2006

The County Clerk advised Commissioners that the Court Security Grant applications were due March 24th. Commissioners said they didn't have any projects at this time to request funding for.

Old Jail Building

The County Clerk advised Commissioners that the old jail building has been cleaned out and he has stored the touch screen voting machines there for the time being.

Board of Equalization

Commissioner Porterfield made motion to schedule the Board of Equalization meetings for February 1st from 1:00 pm till 3:00 pm. and February 8th from 6:00 pm to 7:00 pm.

Candidate Filing

The County Clerk reminded Commissioners that candidate filing for the May 9, 2006 Primary Election begins January 9th and runs through Jan. 28th at 12:00 noon.

Gap Mills Public Service District

Commissioner Porterfield made a motion to appoint Alma Griffith to the Gap Mills PSD Board of Directors. Commissioner Pritt second the motion. Vote was unanimous. ✓

Financial Report

Commissioners reviewed the current financial report for the county.

Touch Screen Voting Machines

The County Clerk advised Commissioners that the touch screen voting machines have arrived and the voting booths will be here in a couple of weeks.

Becky Spencer

Commissioners reviewed a letter from Ms. Becky Spencer expressing concern that Adelphia Cable would not provide the FOX network to their cable lineup. Commissioner Porterfield will address this matter with Ms. Spencer and Adelphia.

Exonerations Approved

- Paul A. Dimarzo
- Robert Allen
- James R. Raines
- Jerry I. Hoke
- VFS Financing Inc.
- Clyde Mitchell
- Hoke Brothers Construction
- William Ea.

Estates Approve.

... A. McD ... A. McD ... Executrix

2/1

484

MONROE COUNTY COMMISSION
DATH Clerk 14
Date/Time: 04/04/2007 13:00
Inst #: 37082
Book/Pass: 2- / 484-
Tax: .00 .00

OATH OF OFFICE AND CERTIFICATION

STATE OF WEST VIRGINIA
COUNTY OF MONROE, TO WIT:

I, ALMA J. GRIFFITH, do solemnly swear that I will faithfully and loyally discharge my duties as a member of the Gap Mills Public Service District, Monroe County, West Virginia to the best of my ability, so help me God.

Alma J. Griffith
Signature

Signed before me this 2nd day of April, 2007 in Monroe County, West Virginia.

Sonia Looney
Notary Public

2-1-2012
My Commission Expires

SEAL



MONROE COUNTY COMMISSION
OATH Clerk 14
Date/Time: 03/28/2007 14:55
Inst #: 37026
Book/Page: 2- / 483-
Tax: .00 .00

OATH OF OFFICE AND CERTIFICATION

STATE OF WEST VIRGINIA
COUNTY OF MONROE, TO WIT:

I, Thomas Martin, do solemnly swear that I will faithfully and loyally discharge my duties as a member of the Gap Mills Public Service District, Monroe County, West Virginia to the best of my ability, so help me God.

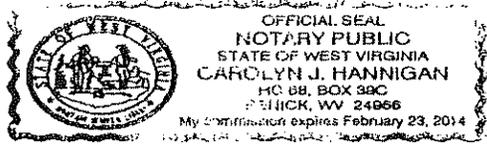
Thomas Martin
Signature Thomas Martin

Signed before me this 28 day of March, 2007 in Monroe County, West Virginia.

Carolyn J. Hannigan
Notary Public

February 23, 2014
My Commission Expires

SEAL



MONROE COUNTY COMMISSION
 OATH Clerk 14
 Date/Time: 03/28/2007 13:23
 Inst #: 37021
 Book/Page: 2- / 482-
 Recd/Tax: .00 .00

OATH OF OFFICE AND CERTIFICATION

STATE OF WEST VIRGINIA
COUNTY OF MONROE, TO WIT:

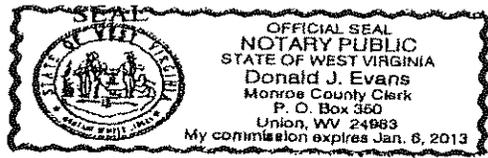
I, Charles Keith Campbell do solemnly swear that I will faithfully and loyally discharge my duties as a member of the Gap Mills Public Service District, Monroe County, West Virginia to the best of my ability, so help me God.

Charles Keith Campbell
Signature

Signed before me this 28 day of March, 2007 in Monroe County, West Virginia.

Donald J. Evans
Notary Public

Jan-6, 2013
My Commission Expires



RULES OF PROCEDURE
GAP MILLS PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: GAP MILLS PUBLIC SERVICE DISTRICT.

Section 2. The principal office of Gap Mills Public Service District (the "District") will be located at Gap Mills, Gap Mills, Monroe County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Gap Mills 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 Board of the District (the "Board") shall be those persons appointed by The County Commission of Monroe 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 Board resign or otherwise become legally disqualified to serve as a member of the 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 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 Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Board shall hold regular monthly meetings on the *Last Tuesday* 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~~ *rescheduled and posted*. Special meetings of the Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Board, two (2) members shall constitute a quorum. Each member of the 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 two (2) 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. 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 the Board, and the date, time, place and purpose of all special meetings of the 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 Board at the front door or bulletin board of the office of the District and, if different from the office, at the front door or bulletin board of the place fixed for regular meetings of the Board not less than three (3) business days before a regularly scheduled meeting

is to be held, stating the date, time and place fixed and entered of record by the 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 Board not less than three (3) business days before such regular meeting is to be held. The agenda listing the matters requiring official action that may be addressed at the meeting may be amended up to two (2) business days prior to the meeting.~~ 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 Board at the front door or bulletin board of the office of the District and at the front door or bulletin board of the place fixed for the regular meetings of the Board not less than two (2) business days before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. In addition, a copy of the agenda listing the matters requiring official action that may be addressed at the meeting for each special meeting shall be posted at the same locations by the Secretary of the Board not less than two (2) business days before such special meeting is to 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.

For the purposes of calculating the number of days in any notice period based upon business days, Saturdays, Sundays, legal holidays and the day of the meeting are not counted.

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.

Chairman
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 24 day of Oct., 2006.


Chairman


Secretary

10.16.06
319040.00001



GAP MILLS PUBLIC SERVICE DISTRICT
Water Revenue Bonds, Series 2007 A and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)

MINUTES ON ADOPTION OF BOND RESOLUTION

The undersigned Secretary of the Public Service Board of Gap Mills Public Service District, hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Gap Mills Public Service District met in regular session, pursuant to notice duly given, on the 17th day of May, 2007, at the District's office in Gap Mills, West Virginia, at the hour of 10:30 a.m., prevailing time.

PRESENT:	Chairman	-	Tom Martin
	Member	-	Alma Griffith
	Secretary/Treasurer	-	Robin Miller

ABSENT: None

Tom Martin, Chairman, presided, and Robin Miller acted as Secretary. Mr. Martin 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 THE ACQUISITION
AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE
PROPERTIES CONSISTING OF ADDITIONS,
IMPROVEMENTS AND EXTENSIONS TO THE EXISTING
WATERWORKS SYSTEM OF GAP MILLS PUBLIC SERVICE
DISTRICT, AND THE FINANCING OF THE COST, NOT
OTHERWISE PROVIDED THEREOF, THROUGH THE
ISSUANCE BY THE DISTRICT OF NOT MORE THAN

\$360,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$82,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

and caused the same to be read and there was discussion. Thereupon, upon motion duly made by Tom Martin and seconded by Alma Griffith, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

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

CERTIFICATION

I further hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 21st day of May, 2007.



Secretary

03.23.07
319040.00001

GAP MILLS PUBLIC SERVICE DISTRICT
P. O. BOX 117
GAP MILLS, WEST VIRGINIA 24941

The Gap Mills Public Service District met on March 27th for their monthly meeting. Those who attended were Robin Miller, Charlie Walters, Tom Martin, Keith Campbell and Bob Hazelwood. Tom called the meeting to order, Robin read the February minutes and presented the monthly report, both were approved as presented.

Old business was discussed. The PSD had still not received a payment from Kenny Hodge on his delinquent account. Keith said that he would proceed with contacting Magistrate Court to try and get the money.

Tom had talked with Charlie about his job description and urged him to attend meetings, do cut offs and keep up on changing and repairing meters. Charlie said that there would be times that he could not attend the meetings, but that he would try and attend as many as possible. He also said that there were several old meters that needed to be changed and board members asked him to work on those over the next few months. Bob Hazelwood said that the Red Sulphur PSD might have some meters for sale that we could probably get at a cheap price. Board members said that they would get Steve to check into this and see how much they would cost.

Bob Hazelwood had sent a letter to Bobby Wallace, that board members reviewed, explaining and updating him on construction plans and verifying the amount of \$8000.00 for the plant site, tank site and easements. Mr. Wallace had contacted him by phone and agreed on the amount. Bob said that the deed was in the process of being worked up.

Under new business, Bob said that he expected the PSD to receive about \$491,000 more from RUS and that a meeting with the PSD and RUS should take place sometime in mid April. He had sent letters to WV Pipeline and Mid Atlantic Storage requesting an additional bid hold time extension of 30 calendar days on their bids. He estimated the additional time would allow USDA-RUS time to deliver an amended letter of conditions to the District, receive PSC approval of the amended funding and for USDA-RUS to schedule a loan closing. They both approved the extension.

Robin gave board members an Oath of Office form to take and have notarized and then give to Donnie Evans, County Clerk. She also requested a copy for her records. She asked Tom to contact the County Commission to re-appoint him as a board member ASAP. These requests came from Katy Mallory of Steptoe and Johnson and will need to be taken care of so that she can complete the necessary documents for the issuance of the Water Revenue Bonds.

The board elected Tom Martin to serve as chairman for another year. Keith made the motion and Tom agreed and seconded the motion. They also elected Robin Miller to serve as secretary/treasurer, Tom made the motion and Keith seconded it.

In order to open the new construction account, Robin told members that she had transferred \$100.00 from the Operation and Maintenance account to the new account.

The meeting adjourned and the next meeting will be held on April 24th.

Thomas J. Martin 4-25-07
Robin Miller 4-25-07

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

NEW ISSUE REPORT FORM

Date of Report: May 21, 2007

ISSUE: Gap Mills Public Service District Water Revenue Bonds, Series 2007 A (United States Department of Agriculture)

ADDRESS: P.O. Box 117, Gap Mills, West Virginia 24941 COUNTY: Monroe

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

ISSUE DATE: May 21, 2007 CLOSING DATE: May 21, 2007

ISSUE AMOUNT: \$360,000 RATE: 4.125%

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

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

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

UNDERWRITERS COUNSEL: _____
Contact Person: _____
Phone: _____

CLOSING BANK: Bank of Monroe
Contact Person: Carol Martin
Phone: 304.772.3034

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Robin Miller
Position: Secretary/Treasurer
Phone: (304) 772-3932

OTHER: United States Department of Agriculture
Contact Person: Teresa Miller
Function: Rural Development Specialist
Phone: (304) 252-8644

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: Monthly debt service payments will be made directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2007 A Bonds Reserve Account. Payments into the Series 2007 A Bonds Reserve Account will commence 24 months following the date hereof.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

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

NEW ISSUE REPORT FORM

Date of Report: May 21, 2007

ISSUE: Gap Mills Public Service District Water Revenue Bonds, Series 2007 B (United States Department of Agriculture)

ADDRESS: P.O. Box 117, Gap Mills, West Virginia 24941 COUNTY: Monroe

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

ISSUE DATE: May 21, 2007 CLOSING DATE: May 21, 2007

ISSUE AMOUNT: \$82,000 RATE: 4.125%

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

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

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

UNDERWRITERS COUNSEL: _____
Contact Person: _____
Phone: _____

CLOSING BANK: Bank of Monroe
Contact Person: Carol Martin
Phone: 304.772.3034

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Robin Miller
Position: Secretary/Treasurer
Phone: (304) 772-3932

OTHER: United States Department of Agriculture
Contact Person: Teresa Miller
Function: Rural Development Specialist
Phone: (304) 252-8644

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

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire _____
_____ Check _____
_____ IGT _____
To Escrow Trustee: \$ _____
To Issuer: \$ _____
To Cons. Invest. Fund: \$ _____
To Other: \$ _____

NOTES: Monthly debt service payments will be made directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2007 B Bonds Reserve Account. Payments into the Series 2007 B Bonds Reserve Account will commence 24 months following the date hereof.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

04.17.07
319040.00001





United States Department of Agriculture
Rural Development
West Virginia State Office



April 26, 2007

Thomas Martin, Chairman
Gap Mills Public Service District
P.O. Box 117
Gap Mills, WV 24941

RE: Amendment No. 1 to
Letter of Conditions

Dear Mr. Martin:

This letter, with Attachment No. 1 amends the letter of conditions dated January 23, 2002 and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an initial RUS loan in the amount of \$360,000, a subsequent RUS loan in the amount of \$82,000, an initial RUS grant in the amount of \$800,000, and a subsequent RUS grant in the amount of \$409,000, for a total project cost of \$1,651,000.

Subject to the requirements noted herein, all of the conditions of the January 23, 2002 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

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

Committed to the future of rural communities.

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

319040.00001

The conditions referred to above are as follows:

1. Loan Repayment – The subsequent loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. The remaining 456 months will be equal amortized monthly installments. For planning purposes, use a 4.125% interest rate and monthly amortization factor of 0.00435 which provides for a monthly payment of \$357 on the subsequent loan. (The monthly payment for the initial \$360,000 loan is \$1,653 and the monthly payment for the subsequent \$82,000 loan is \$357, for a total loan of \$442,000 and a total monthly payment of \$2,010.

The bond for the \$82,000 subsequent loan will need to be a separate bond and it will include the interest rate determined applicable prior to loan closing. It will be satisfactory for the subsequent loan bond to be described in the same loan resolution as the \$360,000 initial loan and for all other information and items of the loan resolution and bond transcript to reflect a \$442,000 total issue consisting of two or more bonds. A copy of this letter should be provided to your bond counsel immediately.

Please note that the interest rate for all loans will be the lower of the rate in effect at the time of loan approval or the time of loan closing. You will be notified of any changes in the interest rate prior to loan closing.

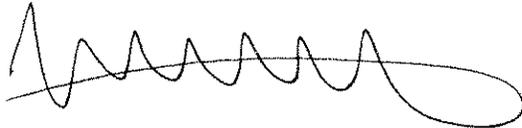
2. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.
3. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"
Form 1940-1 – "Request for Obligation of Funds"
RUS Bulletin 1780-27 – "Loan Resolution"
Form RD 1942-46 - "Letter of Intent to Meet Conditions"

If the conditions set forth in this letter are not met within twelve (12) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the twelve-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert M. Steptoe III', with a large, sweeping flourish at the end.

ROBERT M. STEPTOE III
State Director

Enclosures

cc: RUS Rural Development Specialist
Beckley, WV

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

William S. Winfrey, II
Attorney at Law
P.O. Box 1159
Princeton, WV 24740

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

Pentree, Inc.
P.O. Box 1309
Princeton, WV 24740

Project Construction Budget

<u>PROJECT COST</u>	<u>RUS SUB LOAN</u>	<u>RUS SUB GRANT</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 61,600	\$ 321,800	\$ 629,400	\$ 257,700	\$ 1,270,500
CONST. CONTINGENCY	\$ 3,800	\$ 19,800	\$ 38,600	\$ 15,800	\$ 78,000
LAND & RIGHTS	\$ 500	\$ 2,500	\$ 5,000	\$ 2,000	\$ 10,000
LEGAL FEES	\$ 400	\$ 2,100	\$ 4,200	\$ 1,700	\$ 8,400
BOND COUNSEL	\$ 700	\$ 3,800	\$ 7,400	\$ 3,100	\$ 15,000
ACCOUNTING	\$ 200	\$ 900	\$ 1,700	\$ 700	\$ 3,500
ENGINEERING FEES	\$ 9,000	\$ 47,100	\$ 92,200	\$ 37,700	\$ 186,000
Basic - \$ 96,000					
Insp. - \$ 60,000					
Special - \$ 30,000					
INTEREST	\$ 3,600			\$ 32,400	\$ 36,000
EQUIPMENT	\$ 1,300	\$ 6,600	\$ 12,800	\$ 5,300	\$ 26,000
PROJECT CONTG.	\$ 900	\$ 4,400	\$ 8,700	\$ 3,600	\$ 17,600
TOTAL	\$ 82,000	\$ 409,000	\$ 800,000	\$ 360,000	\$ 1,651,000

Rates

Available for general domestic, commercial, and industrial service.

First	3,000	gallons @	\$ 6.15	per M gallons	1,000
Next	2,000	gallons @	\$ 5.56	per M gallons	1,000
Next	5,000	gallons @	\$ 5.31	per M gallons	1,000
Over	10,000	gallons @	\$ 4.68	per M gallons	1,000

Minimum Charge

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

5/8" x 3/4"	meter	\$ 18.45	per month
3/4"	meter	\$ 27.68	per month
1"	meter	\$ 46.13	per month
1 1/2"	meter	\$ 92.25	per month
2"	meter	\$ 147.60	per month
3"	meter	\$ 276.75	per month
4"	meter	\$ 461.25	per month
6"	meter	\$ 922.50	per month
8"	meter	\$ 1,476.00	per month

Minimum Monthly Bill \$ 18.45 for 3,000 gallons

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full when due , ten percent (10%) will be added to net amount shown.

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$200.00 for connection to the system.

Reconnection Charge

\$20.00

Cash Flow Analysis - See Attached

GAP MILLS PUBLIC SERVICE DISTRICT
OPERATING BUDGET

OPERATING INCOME

Metered Sales	\$ 76,010	
Penalties		
Other Income		
Reconnect Fees		
TOTAL OPERATING INCOME		<u>\$ 76,010</u>

NON OPERATING INCOME

Interest income	\$ 220	
TOTAL NON OPERATING INCOME		<u>\$ 220</u>

TOTAL INCOME

\$ 76,230

EXPENSES

O & M	\$ 42,403	
Taxes	\$ 3,107	
TOTAL EXPENSES		<u>\$ 45,510</u>

INCOME AVAILABLE FOR D/S (A)

\$ 30,720

DEBT SERVICE

Proposed Bond P & I (B)	\$ 23,076	
TOTAL DEBT SERVICE		<u>\$ 23,076</u>

DEBT SERVICE RESERVE

Debt Service Reserve*	\$ 2,308	
TOTAL DEBT SERVICE RESERVE		<u>\$ 2,308</u>

SURPLUS (DEFICIT)

\$ 5,336

DEBT COVERAGE (A/B)

\$ 1.33



United States
Department of
Agriculture

Rural
Development

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

Bond Counsel

William Hurt, Chairman
Gap Mills Public Service District
P.O. Box 117
Gap Mills, WV 24941

January 23, 2002

Dear Mr. Hurt:

This letter, with Attachments 1 through 14 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS loan in the amount of \$360,000, and an RUS grant in the amount of \$800,000, for a total project cost of \$1,160,000.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

- Attachment No. 1 - Project Construction Budget (All Copies)
- Attachment No. 2 - Water and Waste Processing Checklist for Gap Mills PSD (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)
- Attachment No. 6 - RUS Supplemental General Conditions (Engineer Copy)
- Attachment No. 7 - RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Project with RUS Financial Assistance"
- Attachment No. 8 - Government Auditing Standards (Revision 1994) (Accountant Copy)

Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"

Attachment No. 10 - RUS Bulletin 1780-31, "Water Programs Compliance Supplement for OMB Circular A-133 Audits"

Attachment No. 11 - Gap Mills PSD Water Users Agreement (Applicant and Attorney Copies)

Attachment No. 12 - Declination Statement (Applicant and Attorney Copies)

Attachment No. 13 - Sample Credit Agreement (Applicant Copy)

Attachment No. 14 - Various other RD Forms as identified on Attachment No. 2

Your documents concerning the creation of your authority are administratively acceptable; however, they will be further reviewed by our Office of the General Counsel at the time your file is forwarded for closing instructions. Any changes required by our Office of the General Counsel will be included in the closing instructions.

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.50% interest rate and a monthly amortization factor of .00459, which provides for a monthly payment of \$1,653. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.
2. Security - The loan must be secured by a statutory lien of equal priority with the District's existing Water Revenue Bond, a pledge of the system's revenues and other Agreements between you and RUS as set forth in the bond resolution which must be Properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.
3. Users - This conditional commitment is based upon you providing evidence that you will have at least 189 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 6

signed user agreements and a certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Water Users Agreement (RUS Bulletin 1780-9) will be used. Each user signing an agreement must make a user contribution of \$100. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user agreement or a declination statement, the individual making the contact for the PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service. Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the water service of the existing system (paying monthly bills), (2) signed user agreements, (3) signed service declination statements, (4) records evidencing user contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Subpart D of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.
5. Engineering Services - It will be necessary for you to obtain the services of an engineer. EJCDC No. 1910-1-FA, "Standard Form of Agreement between Owner and Engineer for Professional Services" (Funding Agency Edition) should be used to obtain the services of an engineer. The EJCDC document is issued under copyright and cannot be provided by RUS.

Prior to loan and grant closing, you must provide RUS with documentation that the West Virginia Public Service Commission has reviewed and approved the engineering agreement.

6. Legal Services – It will be necessary for you to obtain the services of a local attorney. For your convenience RUS Bulletin 1780-7, “Legal Services Agreement” is enclosed for your use.
7. Accounting Services – It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
 - b. Prior to the advertisement of bids, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

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

RUS regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your PSD. The attached booklets, “Government Auditing Standards (Revised 1994)” (Attachment No. 8), and RUS Bulletins 1780-30 1780-31 (Attachment Nos. 9 and 10) outline audit requirements.

You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$300,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

8. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:
 - a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
 - b. A copy of deeds, contracts or options for any lands needed other than rights-of-

way, along with a preliminary title opinion covering such lands. Form RD 1927-9, "Preliminary Title Opinion" may be used. In the case of your existing system or where the PSD already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.

- c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.
 - d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions.
 - e. On the day of loan closing, the PSD's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the PSD has already acquired real property(s) (land or facilities), the PSD's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.
9. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
- West Virginia Department of Highways
 - Railroads
 - State Department of Health
 - Department of Environmental Protection
 - Corps of Engineers
 - Public Land Corporation
10. Public Service Commission Approvals - You must obtain the following from the Public Service Commission of West Virginia:
- a. A Certificate of Convenience and Necessity.
 - b. Approval of user charges that are acceptable to you and the Rural Utilities Service.

c. Approval of financing for the project's proposed financing arrangements.

The "Rule 42" Exhibit to be attached to the Public Service Commission application must contain at least the information shown in Attachment No. 1. A copy of the Public Service Commission application and its "Rule 42" Exhibit must be provided for review.

11. Public Service Commission Approvals and Rates - You must determine that the Certificate of Convenience and Necessity which you now have from the Public Service Commission of West Virginia is adequate to cover the entire area to be served by the proposed system. If it is not adequate, a new certificate must be obtained and a copy provided for RUS. If it is determined the PSD's present certificate is adequate, the PSD must properly develop, adopt, and promulgate the required rates in accordance with the applicable provisions of Article I, Chapter 24 of the Code of West Virginia, as amended, and to the satisfaction of your bond counsel. The rate ordinance as adopted must include, as a minimum, all the rate related items (everything except project costs section, the use analysis section, and the operation and maintenance expense breakdown section) contained in the attached project construction budget (Attachment No. 1). The draft rate ordinance must be provided for RUS review and concurrence prior to its adoption.
12. Insurance and Bonding Requirements - Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:
 - a. Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.
 - b. Workers' Compensation - In accordance with appropriate State laws.
 - c. Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).
 - d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:

- (1) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
- (2) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.

e. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

13. Contract Documents, Final Plans and Specifications -

- a. The contract documents should consist of the following:
 - (1) EJCDC Document No. 1910-8-A-1-FA, 1997 Edition, "Standard Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. 1910-8-FA, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.
 - (2) "RUS Supplemental General Conditions."
- b. The contract documents must provide, as a minimum, the following insurance:
 - (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. This coverage must include indemnification of the PSD and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.
 - (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.
 - (3) Workers' Compensation - In accordance with applicable State laws.
- c. The contract documents and final plans and specifications must be submitted to RUS for approval.

d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

14. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 13).
15. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account.

Non-Profits – Interest earned on grant funds in excess of \$250 per year will be remitted to RUS annually as required in 7 CFR 3019.

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

The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.

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

Form RD 442-7 - "Operating Budget"
 Form RD 1940-1 - "Request for Obligation of Funds"
 RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"
 RUS Bulletin 1780-27 - "Loan Resolution (Public Bodies)"
 Form RD 400-1 - "Equal Opportunity Agreement"
 Form RD 400-4 - "Assurance Agreement"
 Form AD 1047 - "Certification Regarding Debarment - Primary"
 Form AD 1049 - "Certification Regarding Drug-Free Workplace"
 Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"
 FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
 Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)
 Certification of Compliance
 Form RD 1942-46, "Letter of Intent to Meet Conditions"

17. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines

the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.

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

When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

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

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,


JENNY N. PHILLIPS
State Director

Enclosures

cc: Rural Development Specialist
Beckley, WV

(Accountant)

(Attorney)

Pentree, Inc.
P.O. Box 1309
Princeton, WV 24740

(Bond Counsel)

Attachment No. 1 to Letter of Conditions

For: Gap Mills PSD

Date: January 23, 2002

PROJECT CONSTRUCTION BUDGET
GAP MILLS PUBLIC SERVICE DISTRICT

<u>PROJECT COST</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 599,700	\$ 245,600	\$ 845,300
CONST. CONTINGENCY	\$ 44,400	\$ 18,200	\$ 62,600
LAND & RIGHTS	\$ 7,100	\$ 2,900	\$ 10,000
LEGAL FEES	\$ 6,000	\$ 2,400	\$ 8,400
BOND COUNSEL	\$ 7,100	\$ 2,900	\$ 10,000 ✓
ACCOUNTING	\$ 2,500	\$ 1,000	\$ 3,500
ENGINEERING FEES	\$ 95,900	\$ 39,300	\$ 135,200
Basic - 76,000			
Insp. - 50,700			
Special - 8,500			
INTEREST		\$ 32,400	\$ 32,400
ADMINISTRATION			
EQUIPMENT	\$ 24,800	\$ 10,200	\$ 35,000
PROJECT CONTG.	\$ 12,500	\$ 5,100	\$ 17,600
TOTAL	\$ 800,000	\$ 360,000	\$ 1,160,000

GAP MILLS PUBLIC SERVICE DISTRICT
OPERATING BUDGET

OPERATING INCOME

Metered Sales	\$	65,988	
Penalties	\$	636	
Other Income			
Reconnect Fees			
TOTAL OPERATING INCOME			<u>\$ 66,624</u>

NON OPERATING INCOME

Interest income	\$	728	
TOTAL NON OPERATING INCOME			<u>\$ 728</u>

TOTAL INCOME

\$ 67,352

EXPENSES

O & M	\$	37,894	
Taxes	\$	2,784	
TOTAL EXPENSES			<u>\$ 40,678</u>

INCOME AVAILABLE FOR D/S (A)

\$ 26,674

DEBT SERVICE

Existing Bond P & I (B)	\$	3,361	
Proposed Bond P & I (B)	\$	19,836	
TOTAL DEBT SERVICE			<u>\$ 23,197</u>

DEBT SERVICE RESERVE

Debt Service Reserve*	\$	1,984	
TOTAL DEBT SERVICE RESERVE			<u>\$ 1,984</u>

SURPLUS (DEFICIT)

\$ 1,493

DEBT COVERAGE (A/B)

\$ 1.15

Attachment No. 1 to Letter of Conditions
 For: GAP MILLS PSD
 Date:

GAP MILLS PUBLIC SERVICE DISTRICT
 USE AND INCOME ANALYSIS
 EXISTING SYSTEM

Blocking	Cust. Mo.	Gal/ Mo.	Minimum Bills	First 3,000	Next 2,000	Next 5,000	Next	Over 10,000	TOTAL REVENUE
0 - 3,000	88	154	88						
3,001 - 5,000	55	219		165	54				
5,001 - 10,000	31	220		93	62	65			
> 10,000	9	215		27	18	45		124	
Monthly Total	183	808	88	285	134	110	0	124	
Proposed Rates			\$ 18.30	\$ 6.10	\$ 5.74	\$ 5.59	\$	\$ 5.20	
Monthly Revenues			\$ 1,610.40	\$ 1,738.50	\$ 769.16	\$ 614.90	\$ -	\$ 644.80	\$ 5,377.76
Annual Revenues			\$ 19,324.80	\$ 20,862.00	\$ 9,229.92	\$ 7,378.80	\$ -	\$ 7,737.60	\$ 64,533.12

GAP MILLS PUBLIC SERVICE DISTRICT
 USE AND INCOME ANALYSIS
 "IDENTIFIED EXTENSION AREAS"

Blocking	Cust.	Gal/ Mo.	Minimum Bills	FIRST 3,000	NEXT 2,000	NEXT 5,000	NEXT 10,000	OVER 10,000	TOTAL REVENUE
0 - 3,000	5		5						
3,001 - 5,000	1	5		3	2				
5,001 - 10,000									
> 10,000									
Monthly Total	6	5	5	3	2	0		0	
Proposed Rates			\$ 18.30	\$ 6.10	\$ 5.74	\$ 5.59			
Monthly Revenues			\$ 91.50	\$ 18.30	\$ 11.48	\$ -		\$ 121.28	
Annual Revenues			\$ 1,098.00	\$ 219.60	\$ 137.76	\$ -		\$ 1,455.36	

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

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		Have	3
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant		Have	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		Have	3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		Have	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		Have	5
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant		2000	1
	Staff Review Financial Statements	1	S.I. 1780.2	RUS			1
EJCDC No. 1910-1-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		Have	6
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		Have	5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
(NPA's Only)	Organizational Documents	1	1780.33(e)	Applicant/ Attorney			5
	Site Visit		S.I. 1780-2	RUS			3
	Processing Conference	1	1780.39(a)	RUS			3
	Environmental Report	2	1794	Applicant		Have	3
	Environmental Assessment	2	1794	RUS/ Engineer		Have	3
Exhibit H S.I. 1794-1	Categorical Exclusion	2	1794	RUS		N/A	3
	Adoption of Environ. Review by other Fed. Agency	2	1794 Case Record	RUS		N/A	3
	FONSI/ Evidence of Publication	1	Exhibit 1 RUS 1794 News Ad	RUS/ Applicant			3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		Have	6
	Staff Engineer PER Review	1	1780.33(c)	RUS		Have	3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	Applicant/ Engineer		Have	8
	Statement reporting the <u>total number of potential users</u>		1780.33(c)	Applicant/ Engineer		Have	8

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Copy of Existing Rate Tariff	2	1780.33	Applicant		Have	8
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		Have	3
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS			3
	Survey conducted by uninterested party to determine MHI	1	1780.1(b)	Applicant/ RUS		N/A	2
	S/O concurrence in results of survey to determine MHI	1	1780.1(b)	RUS-S/O		N/A	2
	Documentation on Service Area	1	1780.11	RUS		HAVE	3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		HAVE	3
Automated Form	Grant Determination	3	1780.35(b)	RUS		Have	2
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant		Have	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant		Have	2
RD 1942-45	Project Summary	3	1780.41(a)	RUS		Have	1
RD 442-7	Operating Budget	3	1780.33(h)	Applicant		Have	3
RD 1942-14	Project Fund Analysis	3	1780.41(a)	RUS		Have	2
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/ Applicant		Have	2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant		Have	2
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant		Have	3
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant		Have	5
	Relationships/ Associations with Agency Employees	1	1780.1(f)	RUS		Have	3
RD 1910-11	Applicant Certification, Federal Collection Policies	1	1780.33(h)	Applicant		Have	3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant		Have	5
Bulletin 1780-28	Loan Resolution (Security Agreement)	1	1780.39(f)	Applicant		N/A	5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
RD 1942-8	Resolution of Members or Stockholders	1	1780.39(f)	Applicant		N/A	5
RD 440-22	Promissory Note	3	1780.45 (a)(1)	RUS		N/A	2
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant		HAVE	6
RD 400-4	Assurance Agreement	1	1901-E	Applicant		Have	3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant			5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant			5
	Exception for Metering Devices	1	1780.57(m)	Applicant/ RUS			5
	Sewer Users Agreement or State Health Dept. Mandatory Hook-Up Commitment Ltr.	1	1780.39 (c)(3)	Applicant		N/A	5
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	Applicant			Separate File
	2. List of Signed Users Numbered to Map	1	LOC	Applicant			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	3. List of Declination Statements Numbered to Map	1	LOC	Applicant			5
	4. Evidence of Tap Fees Being Paid	1	LOC	Applicant			5
	5. Having Users Agreements and Declination Statements Available		LOC	Applicant			
	6. Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
RD 442-30	Water Purchase Contract	1	1780.62/ 1780.63	Applicant/ Attorney/ RUS			5
	Sewer Treatment Contract	1	1780.62/ 1780.63	Applicant/ Attorney/ RUS			5
	Accountant's Certification	1	LOC	Applicant/ Accountant			6
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	Applicant/ RUS			1

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6
	Corps of Engineers Permit	1	1780.15(d)	Applicant			6
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Waiver of Title Defects Letter	1	1780.44(g)	RUS			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
	Operation and Maintenance Agreement	1	1780.39 (b)(4)	Applicant			5
	Evidence of "Other Funds"	1	1780.44(f)	Applicant			2
	Evidence of Applicant Contribution	1	1780.44(f)	Applicant			2
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant			5
RD 442-10	Appraisal Report	1	1780.44(g)	RUS			8
	Documentation Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney		HAVE	5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Bid Tabulation	1	1780.61(b)	Engineer			6
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
	Flood Insurance Policy	1	1780.39(g)	Applicant			7
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5



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

THIS AGREEMENT dated April 26, 2007 between
Gap Mills Public Service District

a public corporation organized and operating under _____
Chapter 16 Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:
WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of \$ 1,651,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 442,000 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 442,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 1,209,000 or 73.23% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

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

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed 73.23% percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

The water system improvement consists of approximately 18,000 feet of 8" and 6" water mains, 2,100 feet of 4" water mains, a booster station, 150,000 gallon water tank and upgrades to the existing water plant building.

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

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds, for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

- (c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.
- (d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
- (e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/97]

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

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

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$1,209,000.00, which it will advance to Grantee to meet not to exceed 73.23% percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

and attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By: Robin Miller

Robin Miller

(Title) Secretary

By: Thomas Martin

Thomas Martin

(Title) Chairman

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: Teresa A. Miller

TERESA A. MILLER

Rural Development Specialist

(Title)

GAP MILLS PUBLIC SERVICE DISTRICT
Water Revenue Bonds, Series 2007 A, and
Water Revenue Bonds, Series 2007 B
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of The Bank of Monroe, Union, West Virginia (the "Bank"), hereby certify that on May 21, 2007, the Bank received automated transfers in the amount of \$130,000 and \$4,145 to the credit of the Series 2007 Project Construction Account, Account Number 0020311.

WITNESS my signature on this 21st day of May, 2007.

THE BANK OF MONROE

By: Carol Martin
Its: Authorized Officer

319040.00001

CH759049.1

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

815 QUARRIER STREET, SUITE 418

CHARLESTON, WEST VIRGINIA 25301-2616
TELEPHONE 304-558-2981

(Water)
PROJECT: New Water Treatment Plant and
Water Distribution System Improvements

PERMIT

PERMIT NO.: 15,985

LOCATION: Gap Mills

COUNTY: Monroe

DATE: 3-17-2004

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

Gap Mills Public Service District
P. O. Box 117
Gap Mills, West Virginia 24941

is hereby granted approval to: install approximately 18,158 LF of 8", 9,894 LF of 6", 2,126 LF of 4" and 1,978 LF of 2" water line; two (2) constant pressure duplex water booster stations; one (1) 158,000 gallon water storage tank and all necessary valves, controls and appurtenances. Also, to construct a new office/water treatment building with chemical feed equipment for chlorination and fluoridation; monitoring equipment, metering and all necessary piping, valves, controls and appurtenances.

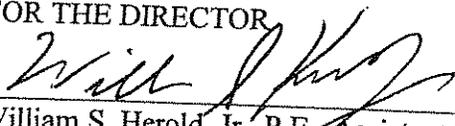
Facilities are to serve the Gap Mills Public Service District.

NOTE: This permit is contingent upon: 1) All new water line and the water storage tank being disinfected, flushed and bacteriologically tested, prior to use; 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 over the sewer line; and 3) The installation of a minimum six (6) feet high fence with a locking gate around the proposed 158,000 gallon water storage tank.

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

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

FOR THE DIRECTOR


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

WSH:snr

pc: Pentree, Inc.

James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, PSC
Monroe County Health Department
OEHS-EED Beckley District Office



Division of Water and Waste Management
414 Summers Street, Second Floor
Charleston, West Virginia 25301
Phone (304) 558-4086
Fax (304) 558-5903

West Virginia Department of Environmental Protection

Bob Wise
Governor

Stephanie R. Timmermeyer
Cabinet Secretary

February 18, 2004

THOMAS L. MARTIN, CB
GAP MILLS PUBLIC SERVICE DISTRICT
PO BOX 117
GAP MILLS, WV 24941

RECEIVED
FEB 20 2004

BY:-----

CERTIFIED RETURN RECEIPT REQUESTED

Re: WV/NPDES Permit No. WV0115924
General Permit Registration No. WVR100664
Gap Mills Water System Upgrade and Extensions,
Monroe County

Dear Permittee:

Attached is a copy of your completed registration form for your activity with the above assigned registration number. You are now authorized to operate under General Permit No. WV0115924. This registration form should be kept with your copy of the General Permit. You should carefully read the contents of the permit and become familiar with all requirements needed to remain in compliance with the permit.

Although you should be aware of all the terms and conditions of this permit, we wish to advise you of the following important requirements:

1. In accordance with Section G.4 of the General Permit, you have developed a complete storm water pollution prevention plan. This plan is to be retained on site and be available for review by the Director or her authorized representative as of the date of your coverage by the General Permit, which is the date of this letter.
2. The erosion control measures approved by this agency for this project shall be maintained in proper condition to individually and collectively perform the functions for which they were designed. In order to insure the efficiency and proper maintenance of these measures, the permittee shall make sufficiently frequent, periodic inspections to detect any impairment of the designed stability, capacity or environmental requirements of the approved measures. The permittee shall take immediate steps to correct any such impairment found to exist.
3. If this SWPPP proves to be ineffective in controlling erosion and the sediment in storm water discharges associated with industrial/construction activities, or site conditions change, the Permittee shall amend the SWPPP and install appropriate sediment and/or control devices in accordance with Section G.4.c) of this permit and the application instructions.
4. The current General Permit expires on December 4, 2007. If you wish to continue an activity regulated by this permit after the expiration date of the permit, provisions for coverage will be made during the public notice process for any new General Permit to be issued at that time.

THOMAS L. MARTIN, CB

Page 2

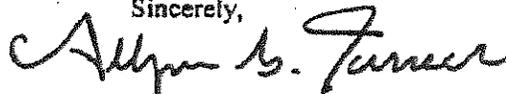
February 18, 2004

5. The General Permit Registration may be terminated upon satisfactory stabilization of the construction site. Stabilization means that all disturbed areas and drainage structures are covered by some type of permanent protection. This includes pavement, rock, concrete, pipe, buildings, established grass (that covers more than 70 percent of the ground), or similar materials as approved in the SWPPP. To terminate coverage under the General Permit, the permittee must request a final inspection by submitting a "Notice of Termination" (form enclosed). The "Notice of Termination" shall also include as-built drawings, certified by a Registered Professional Engineer, for any permanent ponds or basins. Upon confirmation that site is stabilized, a prorated invoice for the annual permit fee may be prepared.

The validity of this General Permit Registration is contingent upon payment of the applicable annual permit fee, as required by Chapter 22, Article 11, Section 10 of the Code of West Virginia.

Your efforts toward preventing the degradation of our natural resources are greatly appreciated. If you have any questions, please contact Curtis Hardman of this Office at (304) 558-4086 or our TDD number (304) 558-2751.

Sincerely,



Allyn G. Turner
Director

AGT:ch

Enclosures



Division of Water and Waste Management
414 Summers Street, Second Floor
Charleston, West Virginia 25301
Phone (304) 558-4086
Fax (304) 558-5903

West Virginia Department of Environmental Protection

Bob Wise
Governor

Stephanie R. Timmermeyer
Cabinet Secretary

WV/NPDES Permit No.: WVR100664

NOTICE TO PERMITTEES

The 1999 regular session of the West Virginia legislature revised the Water Pollution Control Act, Chapter 22, Article 11, Section 10 of the Code of West Virginia relating to fees associated with permits. This section of the Code requires all holders of a State water pollution control permit or a national pollutant discharge elimination system permit to be assessed an annual permit fee, based upon rules promulgated by the Secretary of the Department of Environmental Protection. The Secretary has promulgated a final rule in accordance with the code revision to this effect and these rules were effective May 4, 2000. The rules establish an annual permit fee based upon the relative potential to degrade the waters of the State which, in most instances, relate to volume of discharge. However, for sewage facilities, the annual permit fee is based upon the number of customers served by the facility. You may contact the Secretary of State's Office, State Capitol Building, Charleston, WV 25305, to obtain a copy of the rules. The reference is Title 47, Legislative Rules, Department of Environmental Protection, Division of Water Resources, Series 26 Water Pollution Control Permit Fee Schedules.

Based upon the volume of discharge for which your facility is currently permitted, the number of customers served by your facility or for the category you fall within, pursuant to Section 7 of Title 47, Series 26, your annual permit fee is \$500.00. This fee is due no later than the anniversary date of permit issuance in each year of the term of the permit or in the case of coverage under a general permit, the fee is due no later than the anniversary date of your coverage under the general permit. You will be invoiced by this agency at the appropriate time for the fee. Failure to submit the annual fee within ninety(90) days of the due date will render your permit void upon the date you are mailed a certified written notice to that effect.



West Virginia Department
of Environmental Protection

"Promoting a healthy environment."
