$1,240,000
Gauley River Public Service District
Water Revenue Bonds, Series 2014 A
(United States Department of Agriculture)

Closing Date: October 10, 2014

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

Closing Date: October 10, 2014

TRANSCRIPT OF PROCEEDINGS

DOCUMENT NO.	DESCRIPTION	INDEX NO.
	I. Organizational Documents	
1.1	Certified copy of Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended.	1
1.2	Orders of The County Commission of Fayette County Creating and Enlarging Gauley River Public Service District (the "Issuer").	2
1.3	Orders of The County Commission of Fayette County Appointing Members of the Public Service Board of the Issuer (the "Board").	3
1.4	Oaths of Office of the Board Members.	4
1.5	Rules of Procedure.	5
1.6	Minutes of Current Year Organizational Meeting.	6
	II. Authorizing Documents	
2.1	Public Service Commission Order.	7
2.2	USDA Letter of Conditions, Closing Letter and Loan Resolution.	8
2.3	Minutes of Board Meeting regarding Adoption of USDA Loan Resolution.	9
2.4	Bond Resolution.	10
2.5	Supplemental Resolution.	11
2.6	Minutes of Board Meeting regarding Adoption of Bond Resolution and Supplemental Resolution.	12

2.7	Affidavits of Publication regarding Notice of Filing and Notice of Meeting to Adopt Bond Resolution and Supplemental Resolution.	13
2.8	Specimen Bond.	14
2.9	Bond Register.	15
2.10	1986 Bond Resolution.	16
2.11	1993 Bond Resolution.	17
2.12	1997 Bond Resolution.	18
2.13	2005 A Bond Resolution.	19
2.14	2007 A Bond Resolution.	20
2.15	2010 A Bond Resolution.	21
2.16	2012 A Bond Resolution.	22
2.17	WDA Consent to Issuance of Bonds.	23
2.18	USDA Consent to Issuance of Bonds.	24

III. Certificates, Receipts and Other Documents

3.1	General Certificate.	25
3.2	Certificate of Secretary as to Truth and Accuracy of Documents Delivered.	26
3.3	Certificate of Consulting Engineer.	27
3.4	Certificate of Accountant.	28
3.5	Certificate of No Litigation.	29
3.6	Receipt for Bonds.	30
3.7	Receipt for Bond Proceeds.	31
3.8	Acceptance of Appointment As Depository Bank.	32
3.9	Municipal Bond Commission New Issue Report Form.	33
3.10	Environmental Health Services Permit.	34

3.11	USDA Grant Agreement.	35
3.12	Insurance Certificates.	36
3.13	Water Purchase Contract with Town of Summersville.	37
3.14	Closing Memorandum.	38
3.15	First Draw Resolution	39

IV. Opinions

4.1	Opinion of Jackson Kelly PLLC, Bond Counsel.	40
4.2	Opinion of Counsel to Issuer.	41
4.3	Final Title Opinion.	42

State of West Virginia

Certificate

I, Natalie E. Tennant, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 16, ARTICLE 13A OF THE WEST VIRGINIA CODE, AND CHAPTER 16, ARTICLE 13A OF THE 2014 SUPPLEMENT TO THE WEST VIRGINIA CODE, AS INDICATED BY THE RECORDS OF THIS OFFICE.

Given under my hand and the Great Seal of the State of West Virginia on

September 30, 2014

Natalie E Tennant

Secretary of State

ARTICLE 13A

PUBLIC SERVICE DISTRICTS

Section

16-13A-1. Legislative findings.
16-13A-1a. Jurisdiction of the public service commission.
16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.
16-13A-1c. General purpose of districts.
16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State.
16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.
16-13A-3a. Removal of members of public service board.
16-13A-4. Board chairman; members' compensation; procedure; district name.
16-13A-5. General manager of board.
16-13A-6. Employees of board.
16-13A-7. Acquisition and operation of district properties.
16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
16-13A-9a. Limitations with respect to foreclosure.
16-13A-10. Budget.
16-13A-11. Accounts; audit.
16-13A-12. Disbursement of district funds.
16-13A-13. Revenue bonds.
16-13A-14. Items included in cost of properties.
16-13A-15. Bonds may be secured by trust indenture.
16-13A-16. Sinking fund for revenue bonds.
16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.
16-13A-18. Operating contracts.
16-13A-18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.
16-13A-19. Statutory mortgage lien created; foreclosure thereof.
16-13A-20. Refunding revenue bonds.
16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.
16-13A-23. Validation of acts and proceedings of public service boards.
16-13A-24. Acceptance of loans, grants or temporary advances.
16-13A-25. Borrowing and bond issuance; procedure.

§ 16-13A-1. Legislative findings

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been

unable to obtain public utility services. To further this effort, and to insure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1986, c. 81.

Cross References

County courts, authority to make grants for water and sewer systems, see § 7-1-3t.

Administrative Code References

Sewer utilities regulations, see W. Va. Code St. R. § 150-5-1 et seq.

Library References

Counties ⇐18.
Municipal Corporations ⇐5, 6.
Public Utilities ⇐145.
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

Notes of Decisions

In general 2
Admissibility of evidence 8
Construction and application 3
Costs 9
Creation and enforcement of liens 7
Eminent domain powers 4
Property of public service district 5
Rates and charges for service 6
Validity 1

1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6,

§ 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇐ 123(3); Statutes ⇐ 123(5)

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 4056; Municipal Corporations ⇐ 4

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law, or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 4416; Municipal Corporations ⇐ 408(1)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 2355; Municipal Corporations ⇐ 4

2. In general

A public service district may be created for the purpose of furnishing water or sewer services, or both water and sewer services. Code, 16-13A-1. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇐ 5

Creation and operation of water or sanitary districts or authorities by issuance of revenue bonds payable from revenues are authorized. Code, 16-13A-1 et seq. State ex rel. Appalachian Power Co. v. Gainer, 1965, 143 S.E.2d 351, 149 W.Va. 740. Health ⇐ 369; Waters And Water Courses ⇐ 183.5

A county court may use Federal Revenue Sharing Funds for ordinary and necessary maintenance and operating expenses for sewage disposal, sanitation, and pollution abatement, and ordinary and necessary capital expenditures authorized by law but may not use such funds for matching purposes under any other federal-aid program. 55 W.Va. Op.Atty.Gen. 116 (June 27, 1973) 1973 WL 159152.

3. Construction and application

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇐ 80(3)

4. Eminent domain powers

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⇐ 32

Condemnation by public service district is not a taking of private property for private use in violation of applicable constitutional provision. Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⇐ 13

5. Property of public service district

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⇐ 2289

6. Rates and charges for service

Relief under Federal Securities Act of 1933 was not adequate or sufficient remedy for relief sought by corporations holding sewer revenue bonds of public service district in mandamus proceeding to compel district to establish and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariff reflecting such charges with Public Service Commission, and any relief afforded under provisions of federal statute could not supersede relief which could be granted in mandamus proceeding. Securities Act of 1933, § 1 et seq., 15 U.S.C.A. § 77a et seq.; Code, 16-13A-1 et seq. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 3(8)

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operation-

Note 6

al and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

It was ministerial duty of chairman of public service board of public service district to sign revenue bonds and to assist in effectuating their issuance, and in view of constitutionality of statute authorizing creation of the public service board, relator's showing of legal right to require performance of such duty, was sufficient and writ of mandamus would issue. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇐ 103

7. Creation and enforcement of liens

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⇐ 712(7)

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⇐ 14.6; Municipal Corporations ⇐ 712(7); Waters And Water Courses ⇐ 203(14)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇐ 222; Municipal Corporations ⇐ 225(1)

8. Admissibility of evidence

Extrinsic evidence relating to background and negotiations with regard to forming a public service district were not admissible in regard to construction of a contract for furnishing of water, where contract language was clear and unambiguous that district was to furnish water as customer should require. Berkeley County Public Service Dist. v. Vitro Corp. of America, 1968, 162 S.E.2d 189, 152 W.Va. 252. Evidence ⇐ 448

9. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇐ 190

§ 16–13A–1a. Jurisdiction of the public service commission

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters.

Acts 1986, c. 81.

Library References

Public Utilities ⇐145. Westlaw Topic No. 317A.

C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

Notes of Decisions

In general 1

1. In general

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24-1-1 et seq., 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇐ 123

Legislature sought to establish in Public Service Commission (PSC) governmental entity which would protect public from unfair rates and practices by public utilities and also ensure that public utilities are given competitive return for their stockholders. Code, 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇐ 123; Public Utilities ⇐ 129

§ 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification: Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission. Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission.

Acts 1986, c. 81; Acts 1994, c. 61.

Cross References

Public Service Commission, participation in studies, see § 24–1–1b.

Library References

Counties ⇐18, 47.
Westlaw Topic No. 104.
C.J.S. Counties §§ 31, 70 to 73.

§ 16–13A–1c. General purpose of districts

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying water, sewerage or stormwater services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with: (1) The diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (herein sometimes referred to as "water facilities"); (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills"); (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"); or (4) the collection, control or disposal of stormwater (herein sometimes referred to as "stormwater system" or "stormwater systems"), or (5) the management, operation, maintenance and control of stormwater and stormwater systems (herein sometimes referred to as "stormwater management program" or "stormwater management programs"). As used in this article "stormwater system" or "stormwater systems" means a stormwater system in its entirety or any integral part thereof used to collect, control or dispose of stormwater, and includes all facilities, structures and natural water courses used for collecting and conducting stormwater to, through and from drainage areas to the points of final outlet including, but not limited to, any and all of the following: Inlets, conduits, outlets, channels, ponds, drainage easements, water quality facilities, catch basins, ditches, streams, gulches, flumes, culverts, siphons, retention or detention basins, dams, floodwalls, pipes, flood control systems, levies and pumping stations: Provided, That the term "stormwater system" or "stormwater systems" does not include highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. As used in this article "stormwater management program" or "stormwater management programs" means those activities associated with the management, operation, maintenance and control of stormwater and stormwater systems, and includes, but is not limited to, public education, stormwater and surface runoff water quality improvement, mapping, planning, flood control, inspection, enforce-

ment and any other activities required by state and federal law: Provided, however, That the term "stormwater management program" or "stormwater management programs" does not include those activities associated with the management, operation, maintenance and control of highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways.

Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐18.
Gas ⇐12.
Municipal Corporations ⇐5, 6.
Waters and Water Courses ⇐183.5.
Westlaw Topic Nos. 104, 190, 268, 405.

C.J.S. Counties § 31.
C.J.S. Gas §§ 43 to 45.
C.J.S. Municipal Corporations § 11.
C.J.S. Waters §§ 483, 543 to 581.

§ 16–13A–2. Creation of districts by county commission; enlarging, reducing, merging or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) On its own motion by order duly adopted, (2) upon the recommendation of the Public Service Commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: *Provided,* That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the Public Service Commission, which approval and consent shall be in accordance with rules promulgated by the Public Service Commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: *Provided, however,* That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services, stormwater services or gas facilities not being furnished within such territory or part thereof: *Provided further,* That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district

except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. Within ten days of fixing the date of hearing, the county commission shall provide the Executive Secretary of the Public Service Commission with a copy of the order or petition and notification of the time and place of the hearing to be held by the county commission. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing

the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the Public Service Commission for such purpose: *Provided,* That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the Public Service Commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: *Provided, however,* That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the Public Service Commission. The Public Service Commission may provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The Public Service Commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the Public Service Commission pursuant to this section and section one-b, of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: *Provided,* That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive, all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the Public Service Commission shall apply. The Commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: *Provided, however,* That where two or more public service districts are consolidated pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the Secretary of State and the Public Service Commission by the first day of July of each year.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1967, c. 105; Acts 1975, c. 140; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1995, c. 125, eff. 90 days after March 11, 1995; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2005, c. 195, eff. 90 days after April 9, 2005.

Library References

Counties ⇐47.
Municipal Corporations ⇐6.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.
C.J.S. Municipal Corporations § 11[illegible]

Notes of Decisions

Costs 6
Creation of public service districts 2
District boundaries 3
Notice of hearing 4
Number of voters within district 5
Referendum 7
Validity 1

1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇐ 123(3); Statutes ⇐ 123(5)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24.

State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 2355; Municipal Corporations ⇐ 4

2. Creation of public service districts

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⇐ 32

Where public service district was created for purpose of furnishing water services, county court had authority to add sewerage services to the facilities of the district under appropriate proceedings. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇐ 270

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇐ 222; Municipal Corporations ⇐ 225(1)

3. District boundaries

Public service district statute that allowed county commission to designate district's boundaries did not also empower commission to make service territories exclusive, displacing Public Service Commission's (PSC) authority to determine service rights. Code, 16–13A–2. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Counties ⇐ 47

4. Notice of hearing

Provisions of statute, with respect to creation of public service districts, which relate to the filing of the petition or motion of the county court, the description of the territory to be embraced, and like provisions are mandatory; but, despite use of the word "shall," the requirements for posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇐ 12(3); Municipal Corporations ⇐ 12(6)

Though record with respect to creation of public service district was silent with respect to posting of notice of hearing and as to whether hearing was not more than 40 nor less than 20 days after his fixing the date for hearing as provided by statute, there was substantial compliance with statute where hearing was set some time prior to the date of the hearing, there was publication of notice more than ten days prior to the date of the hearing as required, and there were no objections either before, during or after the hearing to the creation of the district or to the procedures employed in its creation. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇐ 12(6)

5. Number of voters within district

Public service district was not void because there were not 100 legal voters owning property within the district. Code, 16–13A–2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇐ 6

6. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇐ 190

7. Referendum

A public service district, once created by county court, not subject to referendum on issue to continue or be abolished. 52 W.Va. Op.Atty. Gen. 33 (August 11, 1966) 1966 WL 87428.

§ 16–13A–3. District to be a public corporation and political subdivision; powers thereof; public service boards

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into

contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, or for furnishing stormwater services for the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six

years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces, and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances, and affairs, for inspection and audit. The board shall meet at least monthly.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1983, c. 166; Acts 1986, c. 81; Acts 1994, c. 61; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Law Review and Journal Commentaries

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).

"Yes, West Virginia, there is a special priority for the purchase money mortgage:" The recognition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

Library References

Counties ⇐18.
Municipal Corporations ⇐6.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.

Notes of Decisions

In general 1
Criminal responsibility of members 5
Ministerial officers, generally 3
Removal of members 4
Sale of water 6
Standard of care 2
Tort Claims Act 7

1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary

for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op.Atty.Gen. 2 (July 14, 1988) 1988 WL 483329.

2. Standard of care

Public service district owes duty of reasonable care to avoid damage to property of others with respect to maintenance of water lines. McCloud v. Salt Rock Water Public Service Dist., 2000, 533 S.E.2d 679, 207 W.Va. 453. Waters And Water Courses ⇐ 205

3. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⇐ 55; Judges ⇐ 21

4. Removal of members

Public Service District board member can be removed by majority vote of registered voters. 51 W.Va. Op.Atty.Gen. 564 (November 10, 1965) 1965 WL 92492.

5. Criminal responsibility of members

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇐ 60

6. Sale of water

Public Service Districts may sell, at wholesale, bulk water to other municipal corporations. 51 W.Va. Op.Atty.Gen. 739 (March 16, 1966) 1966 WL 87469.

7. Tort Claims Act

Tort Claims Act's protection extended to public service districts, under the Act's definition of political subdivision, which included the term "public service districts," despite general authorization for public service districts to "sue and be sued," in the Public Health statutes. Zirkle v. Elkins Road Public Service Dist., 2007, 655 S.E.2d 155. Waters And Water Courses ⇐ 183.5

§ 16-13A-3a. Removal of members of public service board

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal.

Acts 1963, c. 75; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1986, c. 81.

Library References

Counties ⇐45.
Public Utilities ⇐145.
Westlaw Topic Nos. 104, 317A.

C.J.S. Counties § 67.
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

Notes of Decisions

Criminal responsibility of members 1
Ministerial officers, generally 2
Sufficiency of evidence 3

1. Criminal responsibility of members

Upon becoming member of county commission, person who is pecuniarily interested in proceeds of any contract or service with public service district violates criminal conflict of interest statute; by virtue of that position, that person has some voice, influence, or control over continuation of contract. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇐ 60

2. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⇐ 55; Judges ⇐ 21

3. Sufficiency of evidence

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇐ 60

Conflict of interest indictment against county commissioner was sufficient even though it did not characterize commissioner's interest as pecuniary, and commissioner was not entitled to bill of particulars. Code, 61–10–15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇐ 60

§ 16–13A–4. Board chairman; members' compensation; procedure; district name

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five

dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the Public Service Commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three, article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful

misconduct in the performance of their duties. The county commission which created a district or county commissions if more than one created the district may, upon written request of the district, adopt an order changing the official name of a public service district: *Provided,* That such name change will not be effective until approved by the public service commission of West Virginia and the owners of any bonds and notes issued by the district, if any, shall have consented, in writing, to the name change. If a district includes territory located in more than one county, the county commission or county commissions changing the name of the district shall provide any county commission into which the district also extends with a certified copy of the order changing the name of the district. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2000, c. 199, eff. 90 days after March 11, 2000; Acts 2005, c. 196, eff. 90 days after April 8, 2005.

Library References

Counties ⇐68, 87.
Municipal Corporations ⇐161.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 107 to 118, 128.
C.J.S. Municipal Corporations §§ 372 to 390.

Notes of Decisions

In general 1

1. In general

Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op.Atty.Gen. 2 (July 14, 1988) 1988 WL 483329.

§ 16–13A–5. General manager of board

The board may employ a general manager to serve a term of not more than five years and until his or her successor is employed, and his or her compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his or her time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he or she shall perform and exercise such other powers and duties as may be conferred upon him or her by the board.

Such general manager shall be chosen without regard to his or her political affiliations and upon the sole basis of his or her administrative and technical qualifications to manage public service properties and affairs of the district and he or she may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he or she is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water, sewer or stormwater service from a municipal water, sewer or stormwater system or

another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water, sewer or stormwater system or public service district from which such water, sewer or stormwater service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐65, 68.
Municipal Corporations ⇐149, 161.
Westlaw Topic Nos. 104, 268.
C.J.S. Counties §§ 101 to 103, 107 to 118.
C.J.S. Municipal Corporations §§ 361 to 366, 368, 372 to 390.

§ 16–13A–6. Employees of board

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of employment and compensation and prescribe the duties to be performed by such employees.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Counties ⇐65, 68, 87.
Municipal Corporations ⇐149, 161, 170.
Westlaw Topic Nos. 104, 268.
C.J.S. Counties §§ 101 to 103, 107 to 118, 128.
C.J.S. Municipal Corporations §§ 361 to 366, 368, 372 to 405.

§ 16–13A–7. Acquisition and operation of district properties

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same, including, but not limited to, those activities necessary to comply with all federal and state requirements, including water quality improvement activities. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three, chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent

possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years.

Acts 1953, c. 147; Acts 1967, c. 105; Acts 1981, c. 124; Acts 1982, c. 24; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐107.
Municipal Corporations ⇐711.
Public Utilities ⇐114.
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 147.
C.J.S. Municipal Corporations § 1535.
C.J.S. Public Utilities §§ 5 to 9, 202 to 207.

§ 16–13A–8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities, stormwater facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding

and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities, a stormwater system, stormwater management program or gas facilities for water, sewer, stormwater or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That the power of eminent domain provided in this section does not extend to highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways: Provided, however, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1981, c. 124; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐103, 104.
Eminent Domain ⇐6, 16.
Municipal Corporations ⇐221, 224.
Westlaw Topic Nos. 104, 148, 268.

C.J.S. Counties §§ 143 to 144, 147.
C.J.S. Municipal Corporations §§ 873 to 880.
C.J.S. Property § 17.

Notes of Decisions

In general 2
Connections with sewers or drains 6
Eminent domain powers 3
Environmental assessment 5
Public corporation 7
Validity 1
Valuation of property 4

1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying wa-

Note 1

ter and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇐ 123(3); Statutes ⇐ 123(5)

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⇐ 2289

2. In general

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 2510

3. Eminent domain powers

Although construction of new facility proposed by utility will often require taking of private property through eminent domain, absent express statutory language Public Service Commission (PSC) has no duty to review and decide issues that are inherent in eminent domain proceeding. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⇐ 114

Statute providing that private property may be taken or damaged for a number of specified purposes is consonant with organic law and is constitutional. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⇐ 3

4. Valuation of property

Although landowner is competent to give estimate of value of property in eminent domain proceeding, that valuation is not conclusive; government agency may rely on appraisal report concerning estimated value of property to be taken. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Evidence ⇐ 568(4)

5. Environmental assessment

Whether construction of sewage lagoons would constitute "nuisance" does not defeat Public Service Commission's (PSC) jurisdiction to issue certificate of public convenience and necessity; while PSC may assess environmental considerations, chief inquiry by PSC is need of public for project. Code, 24–2–11. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⇐ 708

6. Connections with sewers or drains

City, rather than sewer and water districts, was entitled to provide sewer and water services to newly developed tract that was within districts' boundaries, but was annexed to city, where such services were not previously furnished to tract. Code, 16–13A–8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⇐ 712(1); Waters And Water Courses ⇐ 201

If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right to extend water and/or sewer service which were not being previously furnished to the tract by the public service district, and under those circumstances, a public service district would need the consent of the municipality and the Public Service Commission (PSC) in order to provide such service. Code, 16–13A–8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⇐ 712(1); Waters And Water Courses ⇐ 201; Waters And Water Courses ⇐ 202

7. Public corporation

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇐ 80(3)

§ 16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management,

maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district. The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

(A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;

(B) The number and kind of fixtures connected with the facilities located on the various premises;

(C) The number of persons served by the facilities;

(D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or

(E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia division of highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or fifty dollars, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or fifty dollars and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or fifty dollars. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or fifty dollars

has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the public service commission may prescribe: *Provided,* That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities either water or sewer, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: *Provided,* That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: *Provided, however,* That any termination of water service must comply with all rules and orders of the public service commission.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the division of health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where

there is gravity flow or transportation by any other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump or any other method approved by the division of health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the division of health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) Whenever any district has made available a stormwater system to any owner, tenant or occupant of any real property located near the stormwater system and where stormwater from real property affects or drains into the stormwater system, it is hereby found, determined and declared that the owner, tenant or occupant is being served by the stormwater system and it is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge, and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and munici-

pal taxes. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided,* That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven, article eleven, chapter twenty-two of this code, is exempt from the provisions of this section.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003.

Law Review and Journal Commentaries

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).

"Yes, West Virginia, there is a special priority for the purchase money mortgage." The recognition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

Library References

Gas ⇐14.6.
Municipal Corporations ⇐712.
Waters and Water Courses ⇐203.
Westlaw Topic Nos. 190, 268, 405.

C.J.S. Gas §§ 64, 84 to 85.
C.J.S. Municipal Corporations § 1535.
C.J.S. Waters §§ 483, 666 to 732.

Notes of Decisions

Notice of availability of sewer service 5
Public service district liens 3
Rates and charges for service 4
Takings 2
Validity 1

1. Validity

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 4416; Municipal Corporations ⇐ 408(1)

2. Takings

Public service district's requiring property owner to connect onto its sewer system and to abandon private sewer system located on property was not a taking of private property without just compensation. Const. Art. 3, § 9; Code, 16-13A-9; U.S.C.A. Const.Amend. 5. Kingmill Valley Public Service Dist. v. River-

view Estates Mobile Home Park, Inc., 1989, 386 S.E.2d 483, 182 W.Va. 116. Eminent Domain ⇐ 2.18

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 2510

3. Public service district liens

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⇐ 14.6; Municipal Corporations ⇐ 712(7); Waters And Water Courses ⇐ 203(14)

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16–13A–9, 38–10C–1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⇐ 712(7)

If owner, tenant or occupant of garage apartment did not receive notice that public service district's sewer facilities were available for apartment, district would have been without statutory authority to impose charges and a lien against apartment for sewer services, though the apartment was on a lot containing another dwelling which was properly subject to sewer service charges. Code, 16–13A–9, 16–13A–21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Municipal Corporations ⇐ 712(7)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇐ 222; Municipal Corporations ⇐ 225(1)

4. Rates and charges for service

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24–1–1 et seq., 24–2–3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇐ 123

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

Duty imposed on public service district, a public corporation and political subdivision of state, to establish rates and charges sufficient to pay cost of maintenance, operation and depreciation of properties of district and principal of and interest on all bonds issued by district is nondiscretionary duty which may be enforced by mandamus. Code, 16–13A–9. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 80

5. Notice of availability of sewer service

Issue of fact as to whether owner or tenant had received notice that public service district's sewer services were available for garage apartment, so as to allow imposition of sewer service charges and a lien against apartment, was not appropriate for resolution in mandamus proceeding. Code, 16–13A–9, 16–13A–21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Mandamus ⇐ 174

§ 16–13A–9a. Limitations with respect to foreclosure

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that

the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought.

Acts 1982, c. 74.

Library References

Gas ⇐14.6.
Municipal Corporations ⇐712.
Waters and Water Courses ⇐203.
Westlaw Topic Nos. 190, 268, 405.

C.J.S. Gas §§ 64, 84 to 85.
C.J.S. Municipal Corporations § 1535.
C.J.S. Waters §§ 483, 666 to 732.

§ 16–13A–10. Budget

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board; and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Counties ⇐154.5.
Municipal Corporations ⇐879.
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to 1622.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐110

§ 16–13A–11. Accounts; audit

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders

pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine, chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81.

Library References

Counties ⇐154.5.
Municipal Corporations ⇐879.
Westlaw Topic Nos. 104, 268.
C.J.S. Municipal Corporations §§ 1621 to 1622.

§ 16-13A-12. Disbursement of district funds

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board.

Acts 1953, c. 147; Acts 1981, c. 124.

Library References

Counties ⇐158.
Municipal Corporations ⇐883.
Westlaw Topic Nos. 104, 268.
C.J.S. Counties § 198.
C.J.S. Municipal Corporations §§ 1626, 1635.

§ 16–13A–13. Revenue bonds

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolution or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized.

Acts 1953, c. 147; Acts 1970, c. 11; Acts 1970, c. 12; Acts 1970, 1st Ex. Sess., c. 2; Acts 1980, c. 33; Acts 1981, 1st Ex. Sess., c. 2; Acts 1989, c. 174.

Library References

Counties ⇐174.
Municipal Corporations ⇐911.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 218.
C.J.S. Municipal Corporations §§ 1647 to 1649.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

Two acts amending same Code section in same manner except as to maximum interest rate of bonds, enacted on same date at same legislative session, and impossible to determine which passed after the other, that having lower maximum interest rate will govern. 53 W.Va. Op.Atty.Gen. 418 (April 8, 1970) 1970 WL 116579.

§ 16–13A–14. Items included in cost of properties

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; for stormwater systems and associated stormwater management programs; those activities which include, but are not limited to, water quality improvement activities necessary to comply with all federal and state requirements; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

Acts 1953, c. 147; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐154.5.
Municipal Corporations ⇐879.
Westlaw Topic Nos. 104, 268.
C.J.S. Municipal Corporations §§ 1621 to 1622.

§ 16–13A–15. Bonds may be secured by trust indenture

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the State of West Virginia, but no such trust indenture shall convey, mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable

and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee.

Acts 1953, c. 147.

Library References

Counties ⇐183.
Municipal Corporations ⇐950(15).
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 222.
C.J.S. Municipal Corporations §§ 1708 to 1709.

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

§ 16-13A-16. Sinking fund for revenue bonds

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions.

Acts 1953, c. 147.

Library References

Counties ⇐186.5.
Municipal Corporations ⇐951.
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1704 to 1705.

§ 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided.

Acts 1953, c. 147.

Library References

Counties ⇐188.
Municipal Corporations ⇐937, 955.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.
C.J.S. Municipal Corporations §§ 1707, 1711.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16–13A–1 et seq., 16–13A–9, 16–13A–10, 16–13A–13, 16–13A–17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

§ 16–13A–18. Operating contracts

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid.

Acts 1953, c. 147.

Library References

Counties ⇐114.
Municipal Corporations ⇐328.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 161.
C.J.S. Municipal Corporations §§ 1027 to 1029.

§ 16–13A–18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds

In any case where a public service district owns a water, sewer, stormwater or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer, stormwater or gas system to any municipality or privately-owned water, sewer, stormwater or gas system, or to any water, sewer, stormwater or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer, stormwater or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer, stormwater or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer, stormwater or gas system is located to be placed in the general funds of such county commission.

Acts 1963, c. 75; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 160, eff. 90 days after April 10, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐110.
Municipal Corporations ⇐225.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 147.
C.J.S. Municipal Corporations §§ 882 to 892.

§ 16-13A-19. Statutory mortgage lien created; foreclosure thereof

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

Acts 1953, c. 147.

Library References

Counties ⇐188.
Municipal Corporations ⇐937, 955.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.
C.J.S. Municipal Corporations §§ 1707, 1711.

Notes of Decisions

In general 1

1. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇐ 222; Municipal Corporations ⇐ 225(1)

§ 16-13A-20. Refunding revenue bonds

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding

bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded.

Acts 1953, c. 147.

Library References

Counties ⇐175.
Municipal Corporations ⇐913.
Westlaw Topic Nos. 104, 268.
C.J.S. Counties § 218.
C.J.S. Municipal Corporations §§ 1647 to 1648, 1651.

§ 16–13A–21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent.

Acts 1953, c. 147; Acts 1986, c. 81; Acts 1994, c. 61.

Library References

Counties ⇐18.
Municipal Corporations ⇐5.
Taxation ⇐2316, 3519.
Westlaw Topic Nos. 104, 268, 371.
C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.

Notes of Decisions

In general 2
Validity 1

1. Validity

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 4056; Municipal Corporations ⇐ 4

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional

delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇐ 2355; Municipal Corporations ⇐ 4

2. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇐ 222; Municipal Corporations ⇐ 225(1)

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇐ 123(3); Statutes ⇐ 123(5)

§ 16–13A–22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards

All acts and proceedings taken by any county court of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect, for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city, incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members, and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article.

Acts 1958, c. 14; Acts 1960, c. 19.

W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.

Library References

Counties ⇐18.
Municipal Corporations ⇐5.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 31.
C.J.S. Municipal Corporations § 11.

§ 16–13A–23. Validation of acts and proceedings of public service boards

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect, by any county court of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act.

Acts 1958, c. 14; Acts 1960, c. 19; Acts 1965, c. 134.

W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.

Library References

Counties ⇐47.
Municipal Corporations ⇐166.
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.
C.J.S. Municipal Corporations §§ 369 to 371.

§ 16–13A–24. Acceptance of loans, grants or temporary advances

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems, stormwater systems, or stormwater management systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this article, the revenues of the said water system, sewage system, stormwater system or associated stormwater management system or gas facilities, or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary

advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument.

Acts 1958, c. 14; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 118; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

Library References

Counties ⇐149.
Municipal Corporations ⇐864(3).
Westlaw Topic Nos. 104, 268.
C.J.S. Counties §§ 185, 187.
C.J.S. Municipal Corporations §§ 1583 to 1585, 1587.

Notes of Decisions

In general 1

1. In general

The borrowing by PSD's of money from counties and/or municipalities, as evidenced by a note, is permissible borrowing under this section. 62 W.Va. Op.Atty.Gen. 27 (May 6, 1988) 1988 WL 483331.

§ 16–13A–25. Borrowing and bond issuance; procedure

(a) Notwithstanding any other provisions of this article to the contrary, a public service district may not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four of this article without the prior consent and approval of the Public Service Commission: *Provided,* That approval of funding set forth in section eleven, article two, chapter twenty-four of this code or this section is not required if the funding is for a project which has received a certificate of public convenience and necessity after the eighth day of July, two thousand five, from the commission and where the cost of the project changes but the change does not affect the rates established for the project.

(b) The Public Service Commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, a verified statement by the board members that the public service district has complied with chapter five-g of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to:

(1) Experience with the same engineering firm; or

(2) Completion of a construction project requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver.

(c) An engineering contract that meets one or more of the following criteria is exempt from the waiver or approval requirements:

(1) A contract with a public service district that is a Class A utility on the first day of April, two thousand three, or subsequently becomes a Class A utility as defined by commission rule;

(2) A contract with a public service district that does not require borrowing and that can be paid out of existing rates;

(3) A contract where the payment of engineering fees are contingent upon the receipt of funding, and commission approval of the funding, to construct the project which is the subject of the contract; or

(4) A contract that does not exceed fifteen thousand dollars.

(d) Requests for approval or waivers of engineering contracts shall be deemed granted thirty days after the filing date unless the staff of the Public Service Commission or a party files an objection to the request. If an objection is filed, the Public Service Commission shall issue its decision within one hundred twenty days of the filing date. In the event objection is received to a request for a waiver, the application shall be considered a request for waiver as well as a request for approval in the event a waiver is not appropriate.

(e) Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the Public Service Commission in accordance with the provision of chapter twenty-four of this code when a public service district is seeking to acquire or construct public service property.

Acts 1969, 1st Ex. Sess., c. 6; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1996, c. 213, eff. 90 days after March 9, 1996; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2003, c. 184, eff. 90 days after March 7, 2003; Acts 2005, c. 193, eff. 90 days after April 9, 2005; Acts 2006, c. 190, eff. 90 days after March 10, 2006.

Library References

Counties ⇐114.
Municipal Corporations ⇐270.
Public Utilities ⇐145.
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 161.
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

Research References

ALR Library

101 ALR 5th 287, Remedies for Sewage Treatment Plant Alleged or Deemed to be Nuisance.

Notes of Decisions

In general 1
Certificate of public convenience and necessity 2

1. In general

Proposed sewage treatment project complied with buffer zone requirements where all parties acknowledged that distance of proposed sewage lagoons from property owners' home was further than minimum buffer-zone requirement of 300 feet; Public Service Commission relied on ample evidence in record to support claim that proposed location was both cost-effective and environmentally sound. Code, 16-13A-25, 24-2-11, 24-2-11(a). Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⇐ 708

2. Certificate of public convenience and necessity

Public Service district must obtain certificate of public convenience and necessity before it can acquire or construct public service property. Code, 16-13A-25. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⇐ 113

West's

Annotated Code of West Virginia

Using the Classification and Numbering System of the 1931 Code of West Virginia, as Amended

Chapter 16

2014
Cumulative Annual Pocket Part

Replacing 2013 Pocket Part supplementing 2008 Main Volume

Includes laws through the 2014 Second Extraordinary Session

THOMSON REUTERS

Mat #41637876

ARTICLE 13A

PUBLIC SERVICE DISTRICTS

Section		Section	
16–13A–3.	District to be a public corporation and political subdivision; powers thereof; public service boards.	16–13A–9.	Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
16–13A–4.	Board chairman; members' compensation; procedure; district name.	16–13A–18a.	Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.
16–13A–7.	Acquisition and operation of district properties.		

§ 16–13A–3. District to be a public corporation and political subdivision; powers thereof; public service boards

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, or for furnishing storm water services for the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: *Provided*, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. In the event the public service district is providing any utility service and billing rates and charges to its customers, at least one board member shall be a rate-paying residential customer of the public service district: *Provided*, That if an existing public service board does not have a member who is a rate-paying residential customer of the public service district on July 1, 2013, the next following appointment to the board shall be a rate-paying residential customer of that public service district. For purposes of this section, "rate-paying residential customer" means a person who:

(1) In the case of a water or sewer public service district, is physically connected to and actively receiving residential public service district utility services; or

(2) In the case of a storm water public service district, has storm water conveyed away from the residential property by a utility owned system; and

(3) Has an active account in good standing and is the occupier of the residential property which is on the public service district utility service account.

Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the Public Service Commission in conjunction with the Department of Environmental Protection and the Bureau for Public Health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member

has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof, and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the State of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the Public Service Commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: *Provided*, That any member or members of the board may be removed from their respective office as provided in section three-a of this article.

Any vacancy shall be filled for the unexpired term within thirty days; otherwise successor members of the board shall be appointed for terms of six years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be

appointed in the same manner as the member succeeded was appointed. The district shall provide to the Public Service Commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The Public Service Commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after January 1 of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1983, c. 166; Acts 1986, c. 81; Acts 1994, c. 61; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2013, c. 163, eff. July 1, 2013.

§ 16-13A-4. Board chairman; members' compensation; procedure; district name

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to $100 per attendance at regular monthly meetings and $75 per attendance at additional special meetings, total salary not to exceed $2,000 per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to $125 per attendance at regular monthly meetings and $100 per attendance at additional special meetings, total salary not to exceed $3,250 per annum;

(3) For districts with two thousand customers or more, but fewer than four thousand customers, up to $150 per attendance at regular monthly meetings and $100 per attendance at additional special meetings, total salary not to exceed $4,500 per annum; and

(4) For districts with four thousand or more customers, up to $200 per attendance at regular monthly meetings and $150 per attendance at additional special meetings, total salary not to exceed $6,400 per annum.

The public service district shall certify the number of customers served to the Public Service Commission on July 1 of each fiscal year.

(c) Public service districts selling water to other water utilities for resale or public service districts which provide sewer treatment for other sewer utilities may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than $50,000, up to $100 per attendance at regular monthly meetings and $75 per attendance at additional special meetings, total salary not to exceed $2,000 per annum;

(2) For districts with
$125 per attendance a
meetings, total salary nc

(3) For districts with
$150 per attendance at
special meetings, total sa

(4) For districts with
regular monthly meeting
not to exceed $6,400 per

The public service dis
revenue to the Public Ser

(d) Board members m
incurred in the performa
standing any other provi
salary payment or reimb
initiating service to its
incurred only at meetin
customers.

(e) The board shall by
place of its meetings and
of meetings shall be giver
code. Emergency meetir
members constituting the

(f) The members of the
the district or the board, b
their duties. The county
than one created the dis
changing the official name
not be effective until appr
owners of any bonds and n
to the name change. If a
county commission or coun
county commission into w
changing the name of the
provisions of this article m
other municipal corporation
is located.

Acts 1953, c. 147; Acts 1981, c.
Acts 2000, c. 199, eff. 90 days
Acts 2013, c. 163, eff. July 1, 20

§ 16-13A-7. Acquisitio

The board of these distr
properties acquired or const
duty, to maintain, operate,
activities necessary to compl
improvement activities. All
$25,000 for construction worl
or replacements, shall be ent
as a Class I legal advertise
fifty-nine of this code, and t
section two of this article ii
publication shall not be less
extent allowed by law, in-st
service district contracts. It
shall be utilized to the greate

(2) For districts with annual revenues of $50,000 or more, but less than $250,000, up to $125 per attendance at regular monthly meetings and $100 per attendance at special meetings, total salary not to exceed $3,250 per annum;

(3) For districts with annual revenues of $250,000 or more, but less than $500,000, up to $150 per attendance at regular monthly meetings and $100 per attendance at additional special meetings, total salary not to exceed $4,500 per annum; and

(4) For districts with annual revenues of $500,000 or more, up to $200 per attendance at regular monthly meetings and $150 per attendance at additional special meetings, total salary not to exceed $6,400 per annum.

The public service district shall certify the number of customers served and its annual revenue to the Public Service Commission on July 1 of each fiscal year.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided by the rules of the board. Notwithstanding any other provision of this code to the contrary, board members are not eligible for salary payment or reimbursement for expenses incurred prior to the public service district initiating service to its first customer. Salary and reimbursement for expenses may be incurred only at meetings occurring after the public service district initiated service to customers.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three, article nine-a, chapter six of this code. Emergency meetings may be called as provided by that section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful misconduct in the performance of their duties. The county commission which created a district or county commissions if more than one created the district may, upon written request of the district, adopt an order changing the official name of a public service district: *Provided,* That the name change will not be effective until approved by the Public Service Commission of West Virginia and the owners of any bonds and notes issued by the district, if any, shall have consented, in writing, to the name change. If a district includes territory located in more than one county, the county commission or county commissions changing the name of the district shall provide any county commission into which the district also extends with a certified copy of the order changing the name of the district. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2000, c. 199, eff. 90 days after March 11, 2000; Acts 2005, c. 196, eff. 90 days after April 8, 2005; Acts 2013, c. 163, eff. July 1, 2013.

§ 16-13A-7. Acquisition and operation of district properties

The board of these districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same, including, but not limited to, those activities necessary to comply with all federal and state requirements, including water quality improvement activities. All contracts involving the expenditure by the district of more than $25,000 for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three, chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent possible when hiring laborers for public service district

construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the Constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years.

Acts 1953, c. 147; Acts 1967, c. 105; Acts 1981, c. 124; Acts 1982, c. 24; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2011, c. 147, eff. June 9, 2011.

§ 16–13A–9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district. The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

(A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;

(B) The number and kind of fixtures connected with the facilities located on the various premises;

(C) The number of persons served by the facilities;

(D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or

(E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia Division of Highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or $50, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or $50 and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or $50. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or $50 has been remitted to the district. After twelve months of

prompt payment history, the dist
customer's account at a rate as th
where the customer is a tenant, tl
the tenant discontinues service
charges for services or facilities fi
same become due and payable, tl
and the user is liable at law until
under reasonable rules promulga
tinue water or gas services to all
days after the water or gas serv
contained within the rules of the
agents or employees of the boar
discontinuing service for a delinqu

(b) In the event that any publi
municipal corporation or other p
operates separately water faciliti
owns and operates another kind o
then the district and the publicly
municipal corporation or other p
other to shut off and discontinue
or stormwater service fees and
public service district pursuant
Commission for approval. Any
service, water and stormwater se
to terminate water service for d
Where one public service district
or a municipality included withi
providing water service and the d
delinquency in payment, the distr
sewer or stormwater district that
providing sewer or stormwater s
service to the customer having
however, That any termination of
Public Service Commission: *Pro*
Public Service Commission shall
Service Districts to accept payme
for a delinquent bill.

(c) Any district furnishing se
petition to the circuit court of th
require the Division of Health t
dwellings and buildings located n
be transported by other method
limited to, vacuum and pressure
article one, chapter sixteen of th
sewer facilities, to connect with a
means for the collection, treatm
houses, dwellings and buildings
methods approved by the Divis
pressure systems, approved unde
of this code and the houses, dwel
facilities of the district and it is
provided for in this paragraph is
inhabitants and residents of the
requires the property owner to
dwellings may not flow to the m
any changes in the existing dwe
sewer line, the Public Service Dis
costs for the changes in the ext

prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the Public Service Commission may prescribe: *Provided,* That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the Public Service Commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent. *Provided, however,* That nothing contained within the rules of the Public Service Commission shall be deemed to require any agents or employees of the board to accept payment at the customer's premises in lieu of discontinuing service for a delinquent bill.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately water facilities, sewer facilities or stormwater facilities and the district owns and operates another kind of facility either water or sewer, or both, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer or stormwater service fees and charges: *Provided,* That any contracts entered into by a public service district pursuant to this section shall be submitted to the Public Service Commission for approval. Any public service district which provides water and sewer service, water and stormwater service or water, sewer and stormwater service has the right to terminate water service for delinquency in payment of water, sewer or stormwater bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer or stormwater district is providing water service and the district providing sewer or stormwater service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer or stormwater district that is providing water service, upon the request of the district providing sewer or stormwater service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer or stormwater account: *Provided, however,* That any termination of water service must comply with all rules and orders of the Public Service Commission. *Provided further,* That nothing contained within the rules of the Public Service Commission shall be deemed to require any agents or employees of the Public Service Districts to accept payment at the customer's premises in lieu of discontinuing service for a delinquent bill.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the Division of Health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the Division of Health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where there is gravity flow or transportation by any other methods approved by the Division of Health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the Public Service District Board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation,

operation, maintenance and purchase of a pump or any other method approved by the Division of Health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the Public Service Commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the Division of Health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay, the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) The owner, tenant or occupant of any real property may be determined and declared to be served by a stormwater system only after each of the following conditions is met: (1) The district has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community, as defined in 40 C.F.R. § 122.26; (2) the district's authority has been properly expanded to operate and maintain a stormwater system; (3) the district has made available a stormwater system where stormwater from the real property affects or drains into the stormwater system; and (4) the real property is located in the Municipal Separate Storm Sewer System's designated service area. It is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner. An entity providing stormwater service shall provide a tenant a report of the stormwater fee charged for the entire property and, if appropriate, that portion of the fee to be assessed to the tenant.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and municipal taxes. Nothing contained within the rules of the Public Service Commission shall be deemed to require any agents or employees of the Public Service Districts to accept payment at the customer's premises in lieu of discontinuing service for a delinquent bill. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided,* That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two of this code, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the Department of Environmental Protection, as prescribed by section eleven of said article, is exempt from the provisions of this section.

(h) A public service district which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community shall

prepare an annual
make it available f
stormwater utility r

Acts 1953, c. 147; Act
174; Acts 1994, c. 61;
after March 8, 2003;

§ 16–13A–15. B

Trust Indenture Ac
§ 77aaa et seq.

§ 16–13A–18a. S

In any case where
and a majority of n
thereof deem it for
stormwater or gas sy
gas system, or to an
service district, the
system upon such te
interests of the distr
(1) The publication o
Class I legal adverti
nine of this code, in
counties wherein the
days and not later
commission or comm
approval by the publi

In the event of any
outstanding bonds ar
persons who have ma
or gas system, such
without interest, and
commission of the cou
system is located to
That no such distribut
of the state.

Acts 1963, c. 75; Acts 19
Acts 2002, c. 272, eff. 90

REGIONAL

§ 16–13D–11. Bon

Trust Indenture Act
§ 77aaa et seq.

prepare an annual report detailing the collection and expenditure of rates, fees or charges and make it available for public review at the place of business of the governing body and the stormwater utility main office.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003; Acts 2008, c. 202, eff. March 8, 2008; Acts 2010, c. 201, eff. June 11, 2010.

§ 16–13A–15. Bonds may be secured by trust indenture

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

§ 16–13A–18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds

In any case where a public service district owns a water, sewer, stormwater or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer, stormwater or gas system to any municipality or privately-owned water, sewer, stormwater or gas system, or to any water, sewer, stormwater or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer, stormwater or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: *Provided*, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer, stormwater or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer, stormwater or gas system is located to be placed in the general funds of such county commission: *Provided*, That no such distribution shall be required in the case of a sale between political subdivisions of the state.

Acts 1963, c. 75; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 160, eff. 90 days after April 10, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2014, c. 183, eff. June 6, 2014.

ARTICLE 13D

REGIONAL WATER AND WASTEWATER AUTHORITY ACT

§ 16–13D–11. Bonds may be secured by trust indenture

United States Code Annotated

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

Order Book 22 Page 437 Nicholas

A RESOLUTION AND ORDER creating Gauley River Public Service District in Fayette, Clay and Nicholas Counties, West Virginia

WHEREAS, the County Court of Fayette County, West Virginia, did heretofore by a resolution and order adopted November 25, 1969, fix a date for a public hearing on the creation on the creation of the proposed Gauley River Public Service District and in and by said resolution and order provide that all persons residing in or owning of having any interest in property in the proposed public service district might appear before the County Court at this meeting and have the opportunity to be heard for and against the creation of said district, and

WHEREAS, NOTICE of this hearing was duly given in the [illegible] provided and required by said resolution and order and by Article 13A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the creation of said district, but no written protest has been filed by the [illegible] qualified voters registered and residing within said proposed public service district and said County Court has given due consideration to all matters for which such hearing was offered; and

WHEREAS, it is now deemed desirable by said County Court to adopt a resolution and order creating said district:

NOW, THEREFORE, be it and it is Hereby Resolved and Ordered by the County Court of Fayette County, West Virginia, as follows:

Section 1. That a public service district within Fayette, Clay and Nicholas Counties, West Virginia, is hereby created, and said district shall have the following described boundaries:

BEGINNING at a point 1.15 miles West of Cau[illegible] a latitude of N. 38° 10.56' and longitude W. [illegible]

THENCE, with Fayette-Nicholas County Line up [illegible] Creek 2.25 miles, more or less, to the common corner of Fayette, Clay

See File for other Ord. 934

2

Nicholas and Kanawha Counties

THENCE, with Clay-Kanawha N. 10° 30' W. 1.80 miles to a point having a latitude N. 38° 17' 15" and longitude W. 81° 14' 24" East 1.30 mile, South 1.40 miles to Nicholas-Clay County Line with Nicholas-Clay County Line N. 39° 25' E. 1.40 miles, leaving Nicholas-Clay County Line North 1.45 miles, N. 60° 00' E. 1.00 mile, North 2.20 miles, N. 30° 30' E. 2.25 miles to a point having a latitude of N. 38° 21' 59" and longitude W. 81° 09' 44", S. 61° 45' E. 1.90 miles, South 0.30 mile, West 1.60 miles, S. 25° 45' W. 0.80 miles, South 1.45 miles, S. 30° 15' W. 1.50 miles, South 0.90 miles, to Clay-Nicholas County Line.

THENCE, with Nicholas-Clay County Line S. 59° 25' W. 0.45 mile.

THENCE, leaving Clay County, South 2.40 miles, East 1.10 miles, North 1.50 miles, East 0.75 miles, South 2.55 miles, N. 60° 15' E. 3.70 miles to a point having a latitude of N. 38° 15' 43" and longitude W. 81° 05' 37", South 0.80 mile to a point having a latitude of N. 38° 15' 00" and longitude W. 81° 05' 37" South 60° 00' W. 1.15 miles, South 1.75 miles to Nicholas-Fayette County Line in Gauley River having a latitude N. 38° 15' 00" and longitude W. 81° 06' 12".

THENCE, S. 51° 45' W. 3.50 miles to a point having a latitude N. 38° 10' 56" and longitude W. 81° 10' 00"

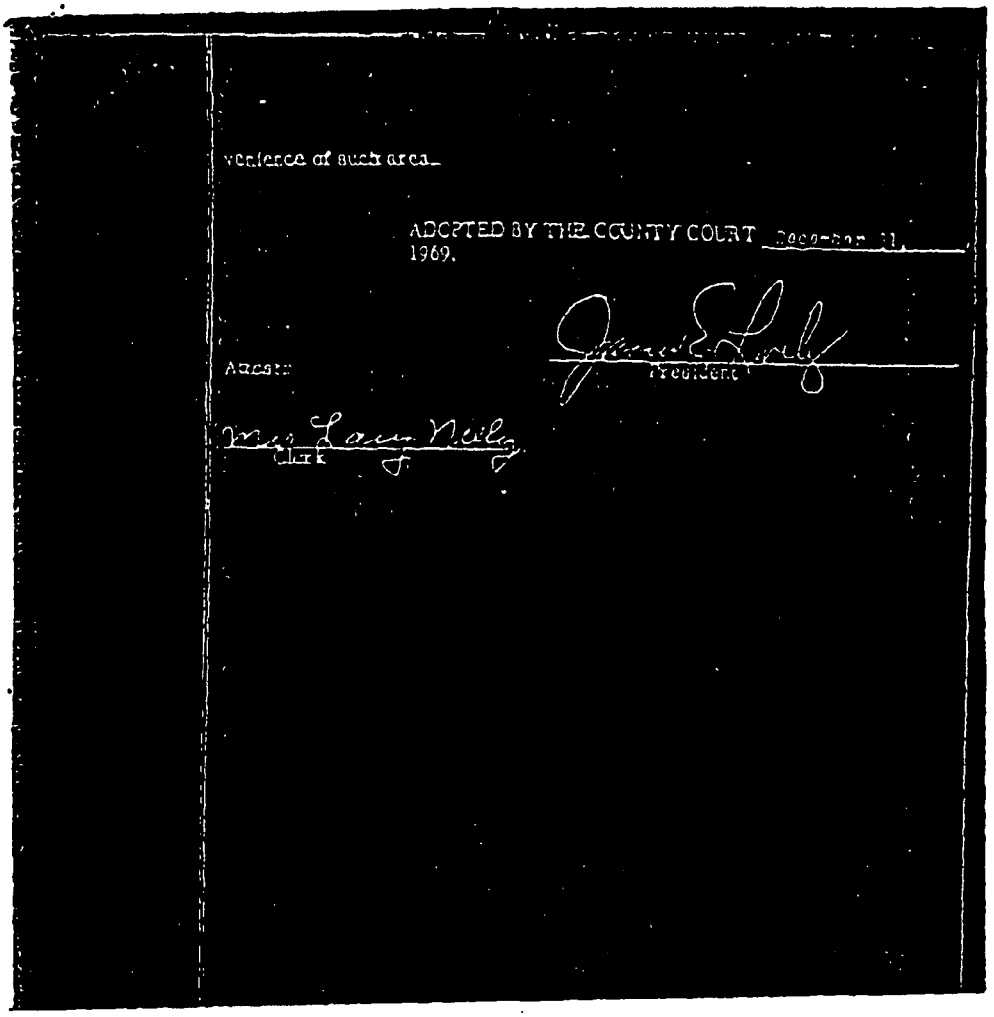
THENCE, West 2.70 miles to BEGINNING, Containing areas as follows:

Fayette County	13.32 square miles
Nicholas County	9.27 square miles
Clay County	6.54 square miles
Total Area	29.13 square miles

as shown on a map prepared by J. H. MILAM, INC., [illegible] W. VA., dated April 21, 19[illegible], Gauley River Public Service District, Fayette, Nicholas and Clay Counties.

Section 2. That said public service district so created shall have the name and corporate title of "Gauley River Public Service District" and shall constitute a public corporation and political subdivision of the State of West Virginia having all of the rights and powers conferred on public service districts by the laws of the State of West Virginia and particularly Article 18A of Chapter 16 of the West Virginia Code.

Section 3. That the County Court of Fayette County, West Virginia has determined that the territory within Fayette, Clay and Nicholas Counties, West Virginia, having hereinbefore described boundaries, is so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying [illegible] water and sewerage services within such territory by said public service district will be conducive to the preservation of public health, comfort and con-



venience of such area.

ADOPTED BY THE COUNTY COURT December 31, 1969.

James E. Lively
President

Attest:

Mary Lou Neily
Clerk

CERTIFIED A TRUE COPY;

Attest Tom Blankenship
Clerk

By Anna McWilliams
Deputy

Fayetteville, West Virginia

October 28, 1970

The County Court of Fayette County, West Virginia, met this day in Regular session held this 28 day of October, 1970, at 10:00 A.M., pursuant to the call of James E. Lively, President, Orval Kessler, Commissioner, and C. W. Stallard, Commissioner, said call being;

"To consider a petition of residents and property owners of Fayett Fayette, Clay and Nicholas Counties, West Virginia, asking for the creation of a public service district in the area therein described, and to adopt a proposed resolution and enter a proper order fixing a date of hearing on the creation of a public service district in Fayette, Clay and Nicholas Counties, West Virginia, as set forth in said petition and to provide for the publication of a notice of such hearing."

The meeting was called to order and the roll being called there were present James E. Lively, President, presiding, and the following named commissioners:

Orval Kessler and C. W. Stallard

And were absent: None

Orval Kessler introduced and caused to be read a proposed resolution and order entitled:

"A resolution and order fixing a date of hearing on the creation of a public service district within Fayette, Clay and Nicholas Counties, West Virginia; and providing for the publication of a notice of such hearing",

and moved that all rules otherwise requiring deferred consideration be suspended and said proposed resolution and order be adopted. C. W. Stallard seconded the motion and after due consideration the President put the question on

the motion, and the roll being called the folling voted:

Aye: Three

Nay: None

Whereupon the president declared the motion duly carried and said resolution and order duly adopted on motion and vote, the meeting was thereupon adjourned.

Clerk

President

Filed in my office this
OCT 28 1978
MRS. LACY NEELY, Clerk
FAYETTE COUNTY COURT, W. VA.

PETITION FOR CREATION TO A PUBLIC SERVICE DISTRICT PURSUANT TO ARTICLE 13-A OF CHAPTER 16 OF THE CODE OF WEST VIRGINIA, AS AMENDED

TO THE COUNTY COURT OF FAYETTE COUNTY, WEST VIRGINIA

The undersigned, all legal voters residing within and owning real property within the limits of the territory described below, DO HEREBY petition the County Court of the County of Fayette, West Virginia, to create GAULEY RIVER PUBLIC SERVICE DISTRICT, a Public Service District of the counties of Fayette, Nicholas and Clay, West Virginia, the territorial limitations described below, pursuant to the provisions of Chapter 147 of the Acts of the Legislature of West Virginia, Regular Session of 1953, constituting Article 13-A of Chapter 16 of the Code of West Virginia of 1931, as amended.

GAULEY RIVER PUBLIC SERVICE DISTRICT is described as follows:

The District consists of a portion of Fayette, Nicholas and Clay Counties.

BEGINNING at a point 1.15 miles West of Gauley River having a latitude of N. 38° 10' 56" and longitude W. 81° 12' 58";

THENCE, N. 40° 00'E. 2.25 miles, N. 30° 00'W. 2.80 miles, N. 52° 00'E. 0.65 miles;

THENCE, with Fayette-Nicholas County Line up Bells Creek 2.25 miles, more or less, to the common corner of Fayette, Nicholas, Clay and Kanawha Counties;

THENCE, with Clay-Kanawha N. 10° 30'W. 1.80 miles to a point having a latitude N. 38° 17' 18" and longitude W. 81° 14' 24", East 1.00 mile, South 1.40 miles to Nicholas-Clay County Line, with Nicholas-Clay County Line N. 59° 25'E. 1.40 miles, leaving Nicholas-Clay County Line North 1.45 miles, N. 60° 00'E. 1.00 mile, North 2.20 miles, N. 30° 30'E. 2.25 miles to a point having a latitude of N. 38° 21' 59" and longitude W. 81°

09' 44", S. 61° 45' E. 1.90 miles, S. 59° 00'E. 2.85 miles to Nicholas County Line;

THENCE, with Nicholas County Line S. 59° 25' W. 0.95 miles, N. 64° 45'W. 1.35 mil, West 2.35 mile, South 1.05 mile, S. 30° 15' W. 1.50 mile, South 0.80 mile to Nicholas-Clay County Line;

THENCE, with Nicholas-Clay County Line S. 59° 25'W. 0.45 mile;

THENCE, leaving Clay County, South 2.40 miles, East 1.10 miles, North 1.50 miles, East 0.75 miles, South 2.55 miles, N. 60° 15' E. 3.70 miles to a point having a latitude of N. 38° 15' 43" and longitude W. 81° 05' 37", South 0.80 mile to a point having a latitude of N. 38° 15' 00" and longitude W. 81° 05' 37", South 60° 00'W. 1.15 miles, South 1.75 miles to Nicholas-Clay County Line in Gauley River having a latitude N. 38° 13' 00" and longitude W. 81° 06' 42";

THENCE, S. 51° 45' W. 3.80 miles to a point having a latitude N. 38° 10' 56" and longitude W. 81° 10' 00";

THENCE, West 2.70 miles to BEGINNING, containing areas as follows:

Fayette County	13.32 square miles
Nicholas County	9.27 square miles
Clay County	10.90 square miles
Total Area	33.49 square miles

as shown on a map prepared by J. H. MILAM, INC, Dunbar, West Virginia dated July 16, 1970, Gauley River Public Service District, Fayette, Nicholas and Clay Counties. The purpose of this map is to include an annexation of 4.06 square miles to include portions of upper Sycamore Creek and Grassy Creek areas.

The purpose of said Public Service District shall be to construct or acquire by purchase or otherwise, and maintain, operate, improve and extend property supplying a public water system within such territory, also outside such territory to the extent permitted by law.

A Resolution and Order fixing a date of hearing on the creation of a proposed public service district within Fayette, Clay, and Nicholas Counties, West Virginia; and providing for the publication of a notice of such hearing.

WHEREAS, there has heretofore been filed in the office of the Clerk of the County Court of Fayette County, West Virginia, a petition to this County Court for the creation of a public service district within Fayette, Clay and Nicholas Counties, West Virginia; and

WHEREAS, said County Court Clerk has presented such petition to this County Court at this meeting; and

WHEREAS, Pursuant to the provisions of Article 13A of Chapter 16 of the West Virginia Code of this County Court upon presentation of such petition is required to fix a date of hearing on the creation of the proposed public service district:

NOW, THEREFORE, Be It and It Is Hereby Resolved and Ordered by the County Court of Fayette County, West Virginia, as follows:

Section 1. That the County Court of Fayette County, West Virginia, hereby finds and declares that there has been filed in the office of the County Court Clerk and presented by said County Court Clerk to this County Court a petition for the creation of a public service district within Fayette, Clay and Nicholas Counties, West Virginia, which petition contains a discription sufficient to identify the territory to be embraced within the proposed public service and the name of the public service district and which petition has been signed by at least one hundred legal voters resident within and owning real property within the limits of the proposed public service district, and said County Court further finds and declares that said petition in all respects meets the requirements of Article 13A of Chapter 16 of the West Virginia Code.

Section 2. That said petition, among other things, states as follows:

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

(b) The territory to be embraced in said public service shall be as follows:

BEGINNING at a point 1.15 miles West of Gauley River having a latitude of N. 38°10'56" and longitude W. 81°12'58";

THENCE, N. 40°00'E. 2.25 miles, N. 30°00'W. 2.80 miles, N. 52° 00'E. 0.85 miles;

THENCE, with Fayette-Nicholas County Line up Bells Creek 2.25 miles, more or less, to the common corner of Fayette, Nicholas, Clay and Kanawha Counties;

THENCE, with Clay-Kanawha N. 10°30' W. 1.80 miles to a point having a latitude N. 38° 17' 18" and longitude W. 81°14'24", East 1.00 mile, South 1.40 miles to Nicholas-Clay County Line, with Nicholas-Clay County Line N. 59° 25' E. 1.40 miles, leaving Nicholas-Clay County Line North 1.45 miles, N. 60° 00' E. 1.00 mile, North 2.20 miles, No. 30° 30' E. 2.25 miles to a point having a latitude of N. 38° 21' 59" and longitude W. 81° 08' 44", S. 61° 45' E. 1.90 miles, S. 59° 00' E. 2.85 miles to Nicholas County Line;

THENCE, with Nicholas-Clay County Line S. 59° 25'W. 0.45 mile;

THENCE, leaving Clay County, South 2.40 miles, East 1.10 miles, North 1.50 miles, East 0.75 miles, South 2.55 miles, N. 60° 15' E. 3.70 miles to a point having a latitude of N. 38° 15' 43" and longitude W. 81° 05' 37", South 0.80 mile to a point having a latitude of N. 38° 15' 00" and longitude W. 81° 05' 37", South 60° 00' W. 1.15 miles, South 1.75 miles to Nicholas-Fayette County Line in Gauley River having a latitude N. 38° 13' 00" and longitude W. 81° 06' 42";

THENCE, S. 51° 45' W. 3.80 miles to a point having a latitude N. 38° 10' 56" and longitude W. 81° 10' 00";

THENCE, West 2.70 miles to BEGINNING, containing areas as follows:

Fayette County	13.32 square miles
Nicholas County	9.27 square miles
Clay County	10.90 square miles
Total Area	33.49 square miles

as shown on a map prepared by J. H. MILAM, INC., Dunbar, West Virginia, dated July 16, 1970, Gauley River Public Service District, Fayette, Nicholas and Clay Counties. The purpose of this map is to include an annexation of 4.06 square miles to include portions of upper Sycamore Creek and Grassy Creek areas.

(c) The purpose of said public service district shall be to construct, or acquire by purchase or otherwise, and maintain, operate, improve and extend properties supplying water and sewerage services within such territory and also outside such territory to the extent permitted by law.

(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 of the West Virginia Code, nor does such territory include within its limits any city, incorporated town or other municipal corporation.

Section 3. That on November 25, , 1970, at the hour of 10:00 o'clock A. M., this County Court shall meet in the County Court House at Fayettoville, 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 before this County Court and shall have an opportunity to be heard for and against the creation of said district, and at such hearing, this County Court shall consider and determine the feasibility of the creation of the proposed public service district.

Section 4. That the County Court Clerk is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on November 5, , 1970, in the Montgomery Herald , a newspaper of general circulation published in Fayette County: And that the County Court Clerk is hereby authorized and directed to deliver a copy of said petition by hand or certified mail to the County Court Clerk of Clay County and it is further ordered that the County Court Clerk of Clay County to cause notice of such hearing in substantially the form hereinafter set out to be published on November 12, , 1970, in the Clay County Free Press , a newspaper of general circulation published in Clay County and it is further ordered that the County Court Clerk will authorize

and direct the County Court Clerk of Nicholas County to cause notice of such hearing in substantially the form hereinafter set out to be published on November 5, 1970, in the The Nicholas Chronicle,Inc a newspaper of general circulation published in Nicholas County.

Section 5. That the County Court Clerk is hereby authorized and directed in addition to notice of publication to cause notice of such hearing in substantially the form hereinafter set out to be posted in at least five (5) conspicious places in the purposed public service district on or before the 12 day of November, 1970.

ADOPTED BY THE COUNTY COURT October 28, 1970

James E. Lively
PRESIDENT

Attest:

Mrs Lacy Neely
Clerk

STATE OF WEST VIRGINIA)
) ss.
COUNTY OF FAYETTE)

I, Mrs Lacy Neely, hereby certify that I am the duly qualified and acting Clerk of the County Court of Fayette County, West Virginia, and that the foregoing constitutes a true, correct and complete transcript of the proceedings of said County Court as had under date of October 28, 1970, and a resolution and order then adopted relating to the proposed creation of the Gauley River Public Service District, all as shown by the official records in my office.

IN WITNESS WHEREOF, I have hereunto affixed by official signature and the seal of said Court at Fayette, West Virginia, this October 28, 1970.

(SEAL)

Mrs Lacy Neely
County Court Clerk

Filed in my office this
OCT 2 8 1970
MRS. LACY N. ELY, Clerk
FAYETTE COUNTY COURT, W. VA.
DEPUTY

NOTICE OF PUBLIC HEARING ON CREATION OF GAULEY RIVER PUBLIC SERVICE DISTRICT

NOTICE IS HEREBY GIVEN that a legally sufficient petition has been filed with the Clerk of the County Court of Fayette County, West Virginia and has been presented to the County Court of Fayette County, for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation, improvement and extension of public service properties supplying water services within said district and also outside said district to the extent permitted by law; to be named "Gauley River Public Service District"; and having the following described boundaries:

BEGINNING at a point 1.15 miles West of Gauley River having a latitude of N. 38° 10' 56" and longitude W. 81° 12' 58";

THENCE, N. 40° 00' E. 2.25 miles, N. 30° 00' W. 2.80 miles N. 52° 00'E. 0.85 miles;

THENCE, with Fayette-Nicholas County Line up Bells Creek 2.25 miles, more or less, to the common corner of Fayette, Nicholas, Clay, and Kanawha Counties;

THENCE, with Clay-Kanawha N. 10° 30' W. 1.80 miles to a point having a latitude N. 38° 17'18" and longitude W. 81°14'24", East 1.00 mile, South 1.40 miles to Nicholas-Clay County Line, with Nicholas-Clay County Line N. 59° 25' E. 1.40 miles, leaving NicholasOClay County Line 1.45 miles, N. 60° 00' E. 1.00 mile, North 2.20 miles, N. 30° 30' E. 2.25 miles to a point having a latitude of N. 38° 21' 59" and longitude W. 81° 09'44", S. 61° 45' E. 1.90 miles, S. 59° 00' E. 2.85 miles to Nicholas County Line;

THENCE, with Nicholas County Line S. 59° 25'W. 0.95 mile, No. 64° 45'W. 1.35 mile, West 2.35 mile, South 1.05 mile, S. 30° 15' W. 1.50 mile, South 0.80 mile to Nicholas-Clay County Line;

THENCE, with Nicholas-Clay County Line S. 59°25'W. 0.45 mile;

THENCE, leaving Clay County, South 2.40 miles, East 1.10 miles, North 1.50 miles, East 0.75 miles, South 2.55 miles, N. 60° 15'E. 3.70 miles to a point having a latitude of N. 38°15'43" and longitude W. 81° 05'37", South 0.80 mile to a point having a latitude of N. 38°15'00" and longitude W. 81°05'37", South 60°00'W. 1.15 miles, South 1.75 miles to Nicholas-Fayette County Line in Gauley River having a latitude N. 38° 13'00" and longitude W. 81° 06'42";

THENCE, S.51°45'W. 3.80 miles to a point having a latitude N. 38° 10'56" and longitude W. 81°10'00";

THENCE, West 2.70 miles to BEGINNING, containing areas as follows:

Fayette County	13.32 square miles
Nicholas County	9.27 square miles
Clay County	10.90 square miles
Total Area	33.49 square miles

as shown on a map prepared by J. H. MILAM, INC., Dunbar, W.Va. dated July 16, 1970, Gauley River Public Service District, Fayette, Nicholas and Clay Counties. The purpose of this map is to include an annexation of 406 square miles to include portions of upper Sycamore Creek and Grassy Creek areas.

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 Fayette County will conduct a public hearing on 25th November, 1970, at 10:00 o'clock A M., in the County Court House in Fayetteville, 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 28 day of October, 1970.

Mrs Lou Neely
County Court Clerk

Fayetteville, West Virginia

November 25, 1970

The County Court of Fayette County, West Virginia, met in regular session pursuant to law and to the rules of said Court at the County Court House in Fayetteville, West Virginia, at 10:00 o'clock A. M. The meeting was called to order and the roll being called there were present James E. Lively, President, presiding and the following named Commissioners:

Orval Kessler and G. W. Stallard

Absent:

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed Gauley River Public Service District, as contemplated and provided for in a resolution and order adopted by the County Court on October 28, 1970, the president announced that all persons residing in or owning or having any interest in property in such proposed public service district desiring to be heard for or against the creation of said district would be heard and all such interested persons desiring to be heard were given full opportunity.

The County Court then further discussed the creation of said public service district, whereupon Orval Kessler introduced and caused to be read a proposed resolution and order entitled:

"A RESOLUTION AND ORDER creating Gauley River Public Service District in Fayette, Clay and Nicholas Counties, West Virginia,"

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted. G. W. Stallard seconded the motion and after due consideration the President put the question on the motion and the roll being called, the following voted:

Aye: Three

Nay: None

Whereupon, the President declared the motion duly carried and said resolution and order were duly adopted.

Orval Kessler introduced and caused to be read a proposed resolution and order entitled:

"A RESOLUTION AND ORDER appointing members to the public service board of the Gauley River Public Service District."

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted.

C. W. Stallard seconded the motion and after due consideration the President put the question on the motion and the roll being called, the following voted:

Aye: Three

Nay: None

Whereupon, the President declared the motion duly carried and said resolution and order duly adopted.

On motion and vote the meeting adjourned.

James E. Lively
President

Attest:

Mrs. Leary Nicely
Clerk

A RESOLUTION AND ORDER, creating Gauley River Public Service District in Fayette, Clay and Nicholas Counties, West Virginia

WHEREAS, the County Court of Fayette County, West Virginia, did heretofore by a resolution and order adopted October 28, 1970, fix a date for a public hearing on the creation of the proposed Gauley River Public Service District and in and by said resolution and order provide that all persons residing in or owning or having any interest in property in the proposed public service district might appear before the County Court at this meeting and have the opportunity to be heard for and against the creation of said district; and

WHEREAS, NOTICE of this hearing was duly given in the manner provided and required by said resolution and order and by Article 13A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the creation of said district, but no written protest has been filed by the requisite number of qualified voters registered and residing within said proposed public service district and said County Court has been given due consideration to all matters for which such hearing was offered; and

WHEREAS, it is now deemed desirable by said County Court to adopt a resolution and order creating said district;

NOW, THEREFORE, Be it and it is Hereby Resolved and Ordered by the County Court of Fayette County, West Virginia, as follows:

Section 1. That a public service district within Fayette, Clay and Nicholas Counties, West Virginia, is hereby created and said district shall have the following described boundaries:

BEGINNING at a point 1.15 miles West of Gauley River having a latitude of N. 38°10'56" and longitude W. 81°12'58";
THENCE, with Fayette-Nicholas County Line up Bells Creek 2.25 miles, more or less, to the common corner of Fayette, Nicholas, Clay and Kanawha Counties;
THENCE, with Clay-Kanawha N. 10°30' W. 1.80 miles to a point having a latitude N. 38°17'18' and longitude W. 81°14'24",

East 1.00 mile, South 1.40 miles to Nicholas-Clay County Line, with Nicholas-Clay County Line N. 59° 25'E. 1.40 miles, leaving Nicholas-Clay County Line North 1.45 miles, N. 60° 00' E. 1.00 mile, North 2.20 miles, N. 30° 30' E. 2.25 miles to a point having a latitude of N. 38°21'59" and longitude W. 81°09'44", S. 61° 45'E. 1.90 miles, S. 59°00' E. 2.85 miles to Nicholas-Clay County Line;

THENCE, with Nicholas-Clay County Line S. 59°25'W. 0.45 mile;

THENCE, leaving Clay County, South 2.40 miles, East 1.10 miles, North 1.50 miles, East 0.75 miles, South 2.55 miles, N. 60° 15'E. 3.70 miles to a point having a latitude of N. 38° 15'43" and longitude W. 81° 05'37" South 0.80 mile to a point having a latitude of N. 38°15'00" and longitude W. 81°05'37", South 60° 00' W. 1.15 miles, South 1.75 miles to Nicholas-Fayette County Line in Gauley River having a latitude N. 38° 13'00" and longitude W. 81°06'42";

THENCE, S. 51°45'W. 3.80 miles to a point having a latitude N. 38°10'56" and longitude W. 81°10'00";

THENCE, West 2.70 miles to BEGINNING, containing areas as follows:

Fayette County	13.32 square miles
Nicholas County	9.27 square miles
Clay County	10.90 square miles
Total Area	33.49 square miles

as shown on a map prepared by J. H. MILAM, INC., Dunbar, W. Va dated July 16, 1970, Gauley River Public Service District, Fayette, Nicholas and Clay Counties. The purpose of this map is to include an annexation of 4.06 square miles to include portions of upper Sycamore Creek and Grassy Creek areas.

Section 2. That said public service district so created shall have the name and corporation title of "Gauley River Public Service District" and shall constitute a public corporation and political subdivision of the State of West Virginia having all of the rights and powers conferred on public service districts by the laws of the State of West Virginia and particularly Article 13A of Chapter 16 of the West Virginia Code.

Section 3. That the County Court of Fayette County, West Virginia has determined that the territory within Fayette, Clay and Nicholas Counties, West Virginia, having hereinabove described boundaries, is so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying both water and sewerage services within such territory by said public service district will be conducive to the preservation of public health, comfort and convenience of such area/

ADOPTED BY THE COUNTY COURT
November 25, 1970

Attest:

President

Clerk

State of Virginia, County of Fayette.
I, H. E. [illegible], Clerk of the County Commission of Fayette County, W. Va., do certify that the foregoing is a true copy from the records.
In Testimony Whereof, I have hereunto set my hand and affix the seal of said County Commission this [illegible] day of March, 19[illegible].
H. E. [illegible], Clerk
By [illegible] Deputy

A RESOLUTION AND ORDER appointing members to the public service board of the Gauley River Public Service District.

WHEREAS, the County Court of Fayette County, West Virginia, did heretofore by resolution and order adopted November 25, 1970, create the Gauley River Public Service District; and

WHEREAS, under the provisions of Article 13A of Chapter 16 of the West Virginia Code the powers of said public service district shall be vested and exercised by a public service board; and

WHEREAS, since there is no city, incorporated town or other municipal corporation included within said district, it is provided by said Article 13A of Chapter 16 of the West Virginia Code that this County Court shall appoint three members of said board, who shall be persons residing within the district;

NOW, THEREFORE, Be it and it is Hereby Resolved and Ordered by the County Court of Fayette County, West Virginia, as follows:

Section 1. That the County Court of Fayette County, West Virginia, hereby finds and determines that Ralph Whittington, Vernon Young and Paul Murphy are persons residing within the Gauley River Public Service District, and the aforesaid persons are hereby appointed as members of the public service board of said district and their respective terms of office shall be as follows:

Ralph Whittington for a term of six years from the first day of the month in which this resolution and order is adopted;

Vernon Young for a term of four years from the first day of month in which this resolution and order is adopted; and

Paul Murphy for a term of two years from the first day of the month in which this resolution and order is adopted.

Section 2. The aforesaid persons shall meet as soon as practicable

at the office of the Clerk of said County Court and shall qualify by taking an oath of office, and thereafter said appointees constituting the initial public service board of the Gauley River Public Service District shall meet and organize in compliance with the provisions of Article 13A of Chapter 16 of the West Virginia Code.

ADOPTED BY THE COUNTY COURT November 25, , 1970.

Attest:

Clerk

James E Lurch
President

STATE OF WEST VIRGINIA)
)ss.
COUNTY OF FAYETTE)

I, Mrs Lacy Neely, hereby certify that I am the duly qualified and acting Clerk of the County Court of Fayette County, West Virginia, and that the foregoing constitutes a true, correct and complete transcript of the proceedings of said County Court as had under date of November 25, , 1970, and resolution and orders then adopted, relating to the creation of Gauley River Public Service District, and appointment of members to the public service board of said district.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and seal of said Court at Fayetteville, West Virginia, this 25 November, 1970.

County Court Clerk

West Virginia, County of Fayette:
I, CLARA NEELY JONES, Clerk of the County Court of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.
In Testimony Whereof, I hereunto place my hand and affix the seal of said Court this the 25 day of November 1970

By J. L. Mathews Deputy

Court Order Book 15 Page 19

IN RE: CLAY COUNTY COURT ACCEPTS AND FILES SECOND FORMATION OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT.

This day the County Court of Clay County accepts the refiling of the second formation of the Gauley River Public Service District. The orders relating to said formation are hereby filed with the order of this Session of Court.

APPROVED
February 1, 1971
Fred. G. Morton President
Clay County Court

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

I, Avis S. Moore Clerk of The County Commission of Clay County, in the State of West Virginia, and as such Clerk, having the care and custody of the records of Commission Orders of said County, do hereby certify that the forgoing is a true and accurate copy of In Re: Clay County Court accepts and files second Formation of The Gauley River Public Service District

as the same appears of record in my office in Court Order Book 15 at page 76.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court, at the City of Clay, in said County and State, this 8th day of May 19 86.

Avis S. Moore
Clerk of The County Commission of Clay County, West Virginia.

Clay County Free Press - 657-4000

RESOLUTION OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT RELEASING CERTAIN BOUNDARIES TO THE CLAY COUNTY PUBLIC SERVICE DISTRICT

WHEREAS, the County Commission of Clay County, West Virginia, did by a Resolution and Order propose a change in the boundary lines in the Clay County Public Service District to provide water and sewer service, and

WHEREAS, the boundaries proposed overlap the boundaries of the Gauley River Public Service District, and

WHEREAS, the County Commission of Clay County has requested the Gauley River Public Service District to revise its boundaries and release unto the Clay County Public Service District certain areas of Clay County, and

WHEREAS, the Gauley River Public Service District has determined that it is not feasible to service the area that the Clay County Public Service District wishes to encompass,

NOW THEREFORE, be it RESOLVED that the Gauley River Public Service District agrees to amend its boundaries in accordance with a Resolution of the Clay County Commission adopted on the 25th day of July, 1995, when the Gauley River Public Service District agrees to release all of its boundaries which lie in Clay County as follows:

All property lying north and toward the Town of Clay from the intersection of latitude 38° 17' 49.05" longitude 81° 11' 31". Said intersection being approximately .2 miles toward Clay from Big Hollow. Big Hollow is remain within the boundary lines of the Gauley River Public Service District.

That the secretary of the Gauley River Public Service District shall cause a copy of this Resolution to be filed with the Clay County Commission with the understanding that a copy of this Resolution shall be filed with the Executive Secretary of the Public Service Commission which must ultimately approve any boundary changes.

Dated: August 25, 1995.

Russell H. Dunn
CHAIRMAN, GAULEY RIVER PUBLIC SERVICE DISTRICT

Luther R. Elliott
COMMISSIONER, GAULEY RIVER PUBLIC SERVICE DISTRICT

Bill Gray Isaac
COMMISSIONER, GAULEY RIVER PUBLIC SERVICE DISTRICT

ATTEST: Luther R. Elliott
SECRETARY, GAULEY RIVER PUBLIC SERVICE DISTRICT

(SEAL)

AN ORDER WHEREBY THE COUNTY COMMISSION OF FAYETTE COUNTY, WEST VIRGINIA, PROPOSES ON THE MOTION OF THE CLAY COUNTY COMMISSION FOR THE REDUCTION OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WITHIN CLAY COUNTY AND FAYETTE COUNTY FOR THE PURPOSE OF ENLARGING THE BOUNDARY LINES OF THE CLAY COUNTY PUBLIC SERVICE DISTRICT TO PROVIDE WATER AND SEWER SERVICE, AND FIXING A DATE FOR HEARING OF SAID MOTION AND PROVIDING FOR THE PUBLICATION OF NOTICE OF SUCH HEARING.

WHEREAS, it is found and determined to be desirable and proper and in accordance with Chapter 16, Article 13A of the Code of West Virginia for this commission to fix a date of hearing and to provide for the publication of this order.

NOW, THEREFORE, upon The Clay County Commission's motion it is hereby ORDERED by the County Commission of Fayette County, West Virginia, as follows:

Section 1: The County Commission of Fayette County finds and declares that it is in all respects desirable and proper for the County Commission on the motion of the Clay County Commission to propose the reduction of a public service district. The motion proposing the reduction of said public service district was duly made, seconded and carried.

Section 2: The County Commission of Fayette County does declare and find the following matters and things to be suitable, proper and in accordance with Chapter 16, Article 13A of the Code of West Virginia:

(a) The name and corporate title of said public service district is the "Gauley River Public Service District".

(b) The territory to be reduced in said public service district shall be as follows:

Being all property lying North and toward the Town of Clay from the intersection of Latitude 38° 17' 49.5" Longitude 81° 11'31". Said intersection

being approximately .2 miles toward Clay from Big Hollow. Big Hollow is to remain within the boundary lines of the Gauley River Public Service District.

(c) The purpose of the reduction of said public service district shall be to allow a change in the boundary lines of the Clay County Public Service District to provide water and sewer service.

(d) The territory described above shall be included within the limits of the territory of the Clay County Public Service District organized under Article 13A, of Chapter 16, of the Code of West Virginia, and as set forth in the Order of the Clay County Commission dated July 25, 1995 and Case 95-606 of the Public Service Commission of West Virginia.

Section 3: That on the 13th day of October, 1995, being a day in the regular session of this Commission, at 9:30 a.m., E.D.S.T., on said day, in the County Commission Room in the Court House, this Commission will conduct a public hearing on the reduction of the Gauley River Public Service District for the purpose of considering and determining the feasibility thereof and to consider and determine if the reduction of said public service district will be conducive to the preservation of public health, comfort and convenience of residents of said area, at which time and place all persons residing in or owning or having any interest in property in the public service district may appear before this County Commission and shall have an opportunity to be heard for or against the reduction of said public service district.

Section 4: The Clerk of this Commission is hereby ORDERED and DIRECTED to cause notice of such meeting and hearing be given by the publication of this order. This order shall be published in the Montgomery Herald a qualified newspaper of general circulation published in Fayette County, as a Class I legal advertisement in compliance with the provisions of Chapter 59, Article 3 of the official Code of West Virginia of 1931, as amended.

Dated the 15th day of September, 1995.

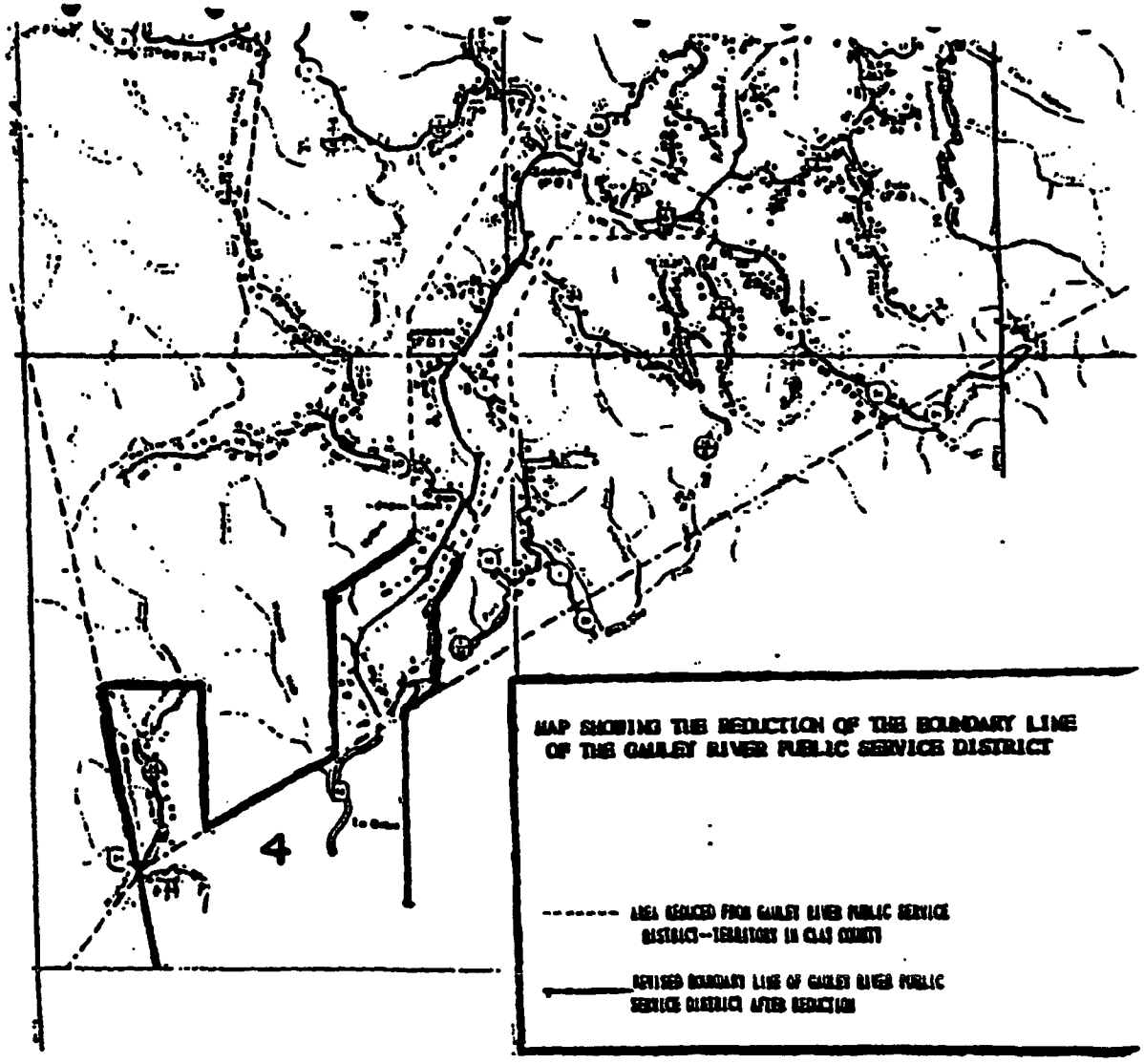
Teste:

THE COUNTY COMMISSION OF FAYETTE COUNTY

President

Commissioner

Commissioner


MAP SHOWING THE REDUCTION OF THE BOUNDARY LINE
OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT
AREA REDUCED FROM GAULEY RIVER PUBLIC SERVICE
DISTRICT--TERRITORY IN CLAY COUNTY
REVISED BOUNDARY LINE OF GAULEY RIVER PUBLIC
SERVICE DISTRICT AFTER REDUCTION

IN RE: FAYETTE COUNTY COMMISSION COMPLIES WITH ORDER FROM PUBLIC SERVICE COMMISSION OF WEST VIRGINIA CONCERNING THE METES AND BOUNDS DESCRIPTION OF THE REVISED BOUNDARY LINES OF THE REDUCED GAULEY RIVER PUBLIC SERVICE DISTRICT

The Fayette County Commission does hereby acknowledge receipt of an order from the Public Service Commission of West Virginia dated November 27, 1995 directing this Commission to correct a deficiency in its order dated October 13, 1995. The previous order did not contain a revised metes and bounds description of the reduced Gauley River Public Service District.

THEREFORE, the Fayette County Commission does hereby set the following as the metes and bounds description for the revised Gauley River Public Service District:

BEGINNING at a point situated 1.15 miles West of the Gauley River, having a Latitude of N 38° 10' 56" and a Longitude of W 81° 12' 58"; thence N 26° 00'00"W 4.6 miles to a point on the Fayette - Kanawha County Line; thence with said line N 38° 00'00" E 1.80 miles to a point, common corner to Fayette, Kanawha, Clay, and Nicholas Counties; thence leaving Fayette and Nicholas Counties and with Clay and Kanawha Counties, N 10° 30'00" W 1.80 miles to a point having a Latitude of N 38° 17' 18" and a Longitude of W 81° 14' 24"; thence leaving Kanawha County and with a line through Clay County, due East 1 mile; thence due South 1.4 to a point on the Clay-Nicholas County Line; thence with same N 59° 25'00" E 1.4 miles to a point; thence leaving the Clay-Nicholas County Line, due North 1.45 miles; thence N 60° 00' 00" E 1 mile to a point corner to the area to be eliminated; thence with same, S 70° 00' 42" E 0.35 mile to a point on the original PSD boundary line; thence leaving the severance area and with the original boundary, S 30° 15'00" W 0.42 mile; thence due South 0.80 mile to a point on the Clay-Nicholas County Line; thence with said line S 59° 25' 00" W 0.45 mile to a point; thence leaving Clay County and with a line through Nicholas County, due South 2.4 miles; thence due East 1.1 miles; thence due North 1.5 miles; thence due East 0.75 mile; thence due South 2.55 miles; thence N 60° 15'00" E 3.70 miles to a point having a Latitude of N 38° 15' 43" and a Longitude of W 81° 05' 37"; thence due South 0.8 miles to a point having a Latitude of N 38° 15' 00" and a Longitude of W 81° 05' 37"; thence S 60° 00'00" W 1.15 miles to a point; thence due South 1.75 miles to a point in the Gauley River, on the Nicholas-Fayette County Line, said point having a Latitude of N 38° 13' 00" and a Longitude of W 81° 06' 42"; thence leaving Nicholas County and with a line through Fayette County, S 51° 45'00" W 3.80 miles to a point, having a Latitude of N 38° 10' 56" and a Longitude of W 81° 10' 00"; thence due West 2.70 miles to the place of beginning, and containing the following square miles:

FAYETTE COUNTY	22.52 Square Miles
NICHOLAS COUNTY	9.27 Square Miles
CLAY COUNTY	2.77 Square Miles
TOTAL AREA	34.56 Square Miles

The above described area is depicted upon a drawing entitled: "EXHIBIT SHOWING 4.09 SQ. MILES TO BE REDUCED FROM A REMAINING AREA OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT - SCALE 1" = 1 MILE - JANUARY 4, 1996.

WHEREAS, The Clay County Commission is by its order dated November 7, 1995 changing their boundary lines to correspond with this Commission's change. This order shows agreement between the two counties (reference Case No. 95-0606-PWD-PC).

NOW, THEREFORE, the Fayette County Commission does hereby set the aforementioned metes and bounds as the official boundary lines of the Gauley River Public Service District and the Clerk of the Commission is to send a certified copy of this order and affidavits of publication and posting regarding the boundary reduction to the Public Service District Commission of West Virginia to comply with their request of November 27, 1995, (reference Case No. 95-0927-PSWD-PC).

Entered to record this 12th day of January, 1996.

John L. Witt, President

John H. Lopez, Commissioner

Gene Carter, Jr., Commissioner

Attest: Kathryn E Holliday
Clerk of the Fayette County Commission

N
S
W
E
AREA TO BE DELETED 4.08 Sq. Miles
CLAY COUNTY
NICHOLAS COUNTY
CLAY COUNTY AREA= 2.77 Sq. MILES
NICHOLAS COUNTY AREA= 9.27 Sq. MILES
KANAWHA COUNTY
FAYETTE COUNTY
COUNTY LINE
1990 (Enlargement Area)
FAYETTE COUNTY
ORIGINAL AREA=13.32 Sq. Miles
1990 ADDITION= 9.20 Sq. Miles
TOTAL FAY. CO.= 22.52 Sq. Miles
(Original Area)
P.O.B. AREA
DUE EAST
DUE SOUTH
DUE NORTH
DUE WEST
14256.00'
GRAPHIC SCALE

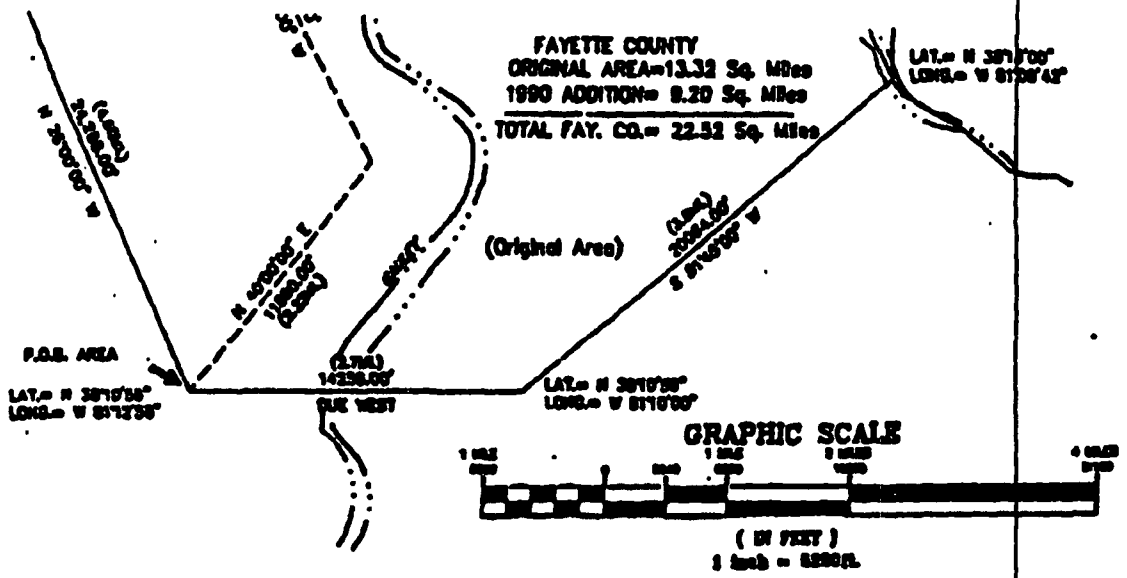


EXHIBIT SHOWING
4.09 SQ. MILES TO BE REDUCED FROM & REMAINING AREA OF
THE GAULEY RIVER PUBLIC SERVICE DISTRICT
SCALE 1"= 1 MILE JANUARY 4, 1996

ORIGINAL

ENTERED
96H PSC

FINAL
6-4-96

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: May 15, 1996

CASE NO. 95-0606-PWD-PC

CLAY COUNTY COMMISSION
Petition to revise boundaries of Clay County Public Service District.

CASE NO. 95-0927-PSWD-PC

FAYETTE COUNTY COMMISSION
Petition to reduce boundaries of Gauley River Public Service District.

RECOMMENDED DECISION

On July 5, 1995, the Clay County Commission filed a petition with the Public Service Commission for approval to expand the boundaries of the Clay County Public Service District in accordance with West Virginia Code §16-13A-2. This filing was designated as Case No. 95-0606-PWD-PC.

On September 25, 1995, the Fayette County Commission filed a petition with the Public Service Commission for approval to reduce the boundaries of the Gauley River Public Service District within Clay County and Fayette County for the purpose of enlarging the boundary lines of the Clay County Public Service District to provide water and sewer service pursuant to West Virginia Code §16-13A-2. This filing was designated as Case No. 95-0927-PWD-PC.

By Order dated December 4, 1995, these matters were consolidated for decision and referred to the Division of Administrative Law Judges for a decision to be rendered on or before May 24, 1996.

In a Final Staff Internal Memorandum filed January 24, 1996, Meyishi P. Blair, Esquire, Staff Attorney, advised that in its petition filed June 30, 1995, the Clay County Commission proposed to expand the boundary lines of the Clay County Public Service District. Ms. Blair explained that the purpose of the expansion is to annex, into the Clay County Public Service District, a portion of Clay County that currently lies within the boundaries of the Gauley River Public Service District, but is not presently being provided with water and sewer service by the Gauley River Public Service District or any other entity.

On September 25, 1995, the Fayette County Commission filed a separate petition seeking approval of the reduction of the Gauley River's boundaries to coincide with the Clay County Public Service District's expansion. This

petition by the Fayette County Commission was subsequently consolidated with the petition of the Clay County Commission. Staff recommended that since the petitions of the County Commissions are in compliance with West Virginia Code §16-13A-2, approval of the consolidated petitions should be given after the required hearings are held in Clay and Fayette Counties.

By Order dated February 14, 1996, these matters were set for hearings to be held in the County Commissioner's Courtroom, Clay County Courthouse, Clay, West Virginia, and the County Commissioner's Courtroom, Fayette County Courthouse, Fayetteville, West Virginia, respectively.

The hearing was held as scheduled in Clay County on April 18, 1996. Appearing at the hearing in Clay was Mr. R. T. Sizemore, Jr., President of the Clay County Commission. No one appeared in protest to the petition. (Tr., pp. 2-3).

The hearing scheduled to be held in Fayetteville on April 18, 1996, was not held, and was rescheduled by Order dated April 22, 1996, to be held in the County Commissioner's Courtroom, Fayette County Courthouse, Fayetteville, West Virginia, on May 8, 1996. The Order of February 14, 1996, setting these matters for hearing required the Fayette and Clay County Commissions to publish a notice of hearing, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Fayette and Clay Counties. Proper affidavits of publication were submitted reflecting that publication had been made in accordance with the Commission's requirements in Clay County.

The Order of April 22, 1996, required that publication in Fayette County be made by the Commission's Executive Secretary.

The hearing in Fayetteville was held as scheduled on May 8, 1996.

Appearing at the hearing in Fayette County was Meyishi P. Blair, Esquire, Staff Attorney. No one appeared in protest to the petition.

DISCUSSION

This case arises from petitions filed by the Clay and Fayette County Commissions. The purpose of the Clay County Commission petition was to annex into the Clay County Public Service District a portion of Clay County that currently lies within the boundaries of the Gauley River Public Service District, and is not being provided water or sewer service by the Gauley River Public Service District. The Fayette County Commission also filed a petition to reduce the boundaries of the Gauley River Public Service District's boundaries to coincide with the expansion of the boundaries of the Clay County Public Service District. Commission Staff, after review of the petitions, recommended approval of the consolidated petitions.

These two cases were consolidated for hearing and decision purposes and hearings were scheduled to be held in these cases on April 18, 1996. On that date, the hearing in Clay County was held as scheduled on April 18, 1996, and no one appeared in protest after proper publication had been made, in accordance with the Commission's requirements. The hearing scheduled to

be held in Fayette County on May 8, 1996, was held and no one appeared in protest, after proper publication had been made.

Since Staff has recommended approval of the petitions in these consolidated cases and proper publication was made and no one appeared in protest at the hearings held in either Clay or Fayette Counties, the petitions of the Clay and Fayette County Commissions filed on July 5, 1996 and September 25, 1996, respectively, should be approved.

FINDINGS OF FACT

1. On July 5, 1995, the Clay County Commission filed a petition with the Public Service Commission for approval to expand the boundaries of the Clay County Public Service District in accordance with West Virginia Code §16-13A-2. (See, Petition).

2. On September 25, 1995, the Fayette County Commission filed a petition with the Public Service Commission for approval to reduce the boundaries of the Gauley River Public Service District within Clay County and Fayette County for the purpose of enlarging the boundary lines of the Clay County Public Service District to provide water and sewer service pursuant to West Virginia Code §16-13A-2. (See, petition).

3. By Order dated December 4, 1995, these two cases were consolidated for decision purposes. (See, Order dated December 4, 1995).

4. By Order dated February 14, 1996, hearings were scheduled to be held in both these cases on April 18, 1996, in Clay and Fayette Counties. Said Order also required that the Clay and Fayette County Commissions provide notice of the hearings scheduled for April 18, 1996, by publishing a Notice of Hearing, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Clay and Fayette Counties. (See, Order dated February 14, 1996).

5. At the hearing held in Clay County, on April 18, 1996, the affidavit of publication was submitted showing that proper publication had been made in accordance with the Commission's requirements and no one appeared in protest to the petition. (See, Tr., pp. 2-3).

6. By Order dated April 22, 1996, the hearing in Fayette County was rescheduled to be held on May 8, 1996, and the Executive Secretary of the Commission was ordered to publish a Notice of Hearing, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Fayette County. (See, Order dated April 22, 1996).

7. At the hearing held in Fayette County, on May 8, 1996, no one appeared in protest to the petition of the Fayette County Commission after proper notice had been given, as is evidenced by the Affidavit of Publication included in the case file. (See, Affidavits of Publication; transcript of proceedings held on May 8, 1996; and case file generally).

CONCLUSION OF LAW

The Administrative Law Judge is of the opinion and finds that, since proper notice was given of the hearings to be held on the petitions of the

Fayette and Clay County Commissions in both Clay and Fayette Counties, in accordance with the Commission's requirements, and no one appeared in protest to the petitions, the petitions of the Fayette and Clay County Commissions, as filed on September 25, 1995 and July 5, 1995, respectively, should be approved.

ORDER

IT IS, THEREFORE, ORDERED that the Orders of the Clay County Commission dated July 25, 1995 and November 7, 1995, expanding the boundaries of the Clay County Public Service District, in Case No. 95-0606-PWD-PC, be, and the same hereby are, approved.

IT IS FURTHER ORDERED that the Orders of the Fayette County Commission, dated October 13, 1995, and January 12, 1996, reducing the boundaries of the Gauley River Public Service District within Clay County and Fayette County, for the purpose of enlarging the boundaries of the Clay County Public Service District, to provide water and sewer service, pursuant to West Virginia Code §16-13A-2, in Case No. 95-0927-PWD-PC, be, and the same hereby is, approved.

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

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

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

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

Robert W. Glass
Administrative Law Judge

RWG:jas

NICHOLAS COUNTY COMMISSION

700 MAIN STREET, SUITE 1
SUMMERSVILLE, WEST VIRGINIA 26651

TOM BLANKENSHIP, President
BIRL O'DELL, Commissioner
MERT MYERS, Commissioner

TELEPHONE: (304) 872-7830
FAX: (304) 872-8902

June 1, 2000

NOTICE OF PUBLIC HEARING
ENLARGEMENT OF GAULEY RIVER PUBLIC SERVICE DISTRICT

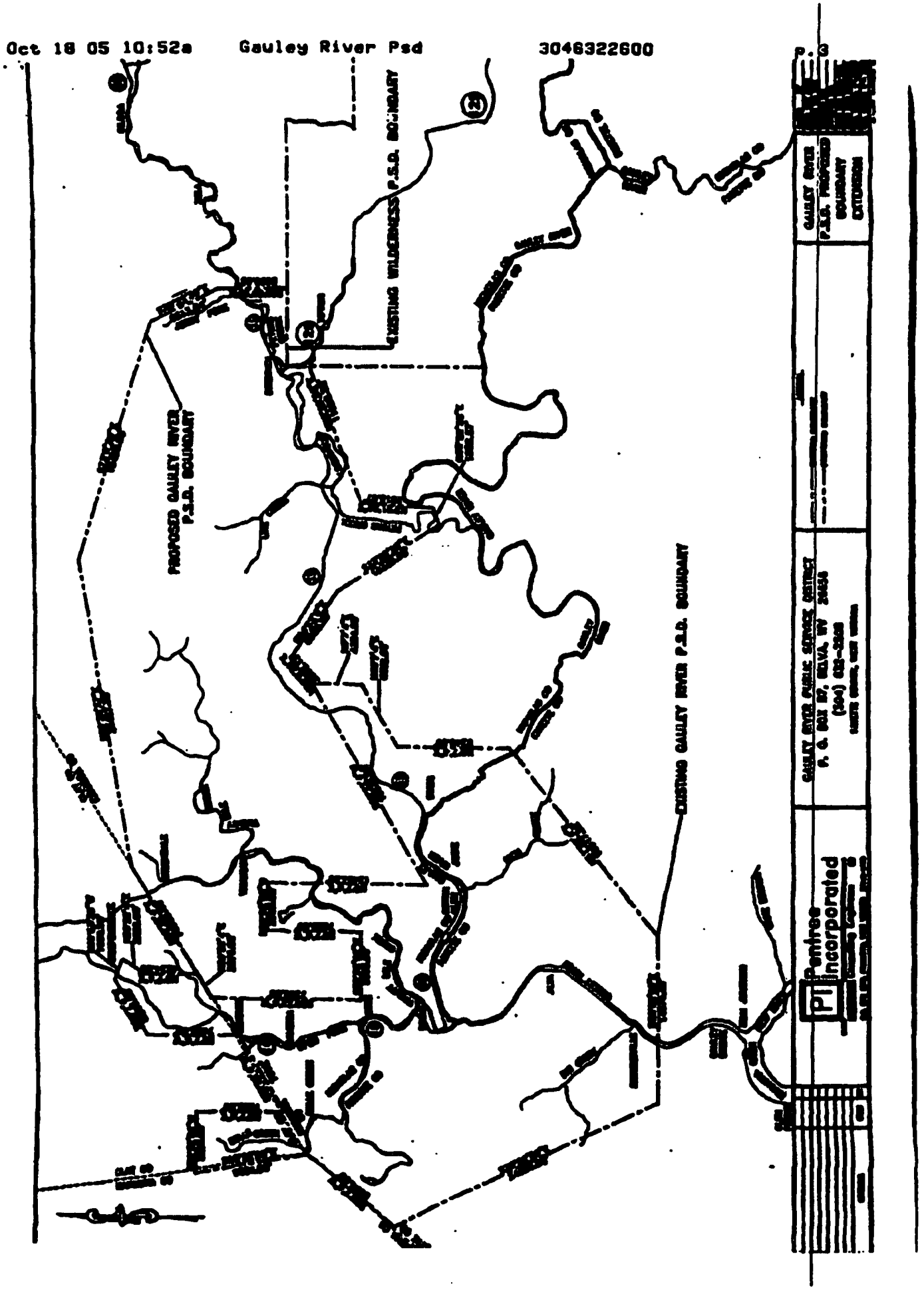
NOTICE IS HEREBY GIVEN TO ALL PERSONS RESIDING IN OR OWNING OR HAVING ANY INTEREST IN PROPERTY IN SAID PROPOSED ENLARGED DISTRICT, that the County Commission of Nicholas County on its own order will conduct a public hearing on the 21 day of June, 2000 at 10:00 o'clock a.m., in the office of the Nicholas County Commission, Nicholas County Courthouse, Summersville, West Virginia, at which time and place all interested persons may appear before the County Commission of Nicholas County and shall have an opportunity to be heard for and against the enlargement of said public service district as set forth herein.

The lands involved are described as follows:

That the Gauley River Public Service District as described more aptly beginning with the southwest corner of the existing boundary; thence with the existing boundary N25°07'04"E and generally parallel with the Kanawha County/Fayette County Line 9504 feet to a point just west of the Nicholas/Clay/Kanawha/Fayette Counties junction; thence, N10°22'56"W and generally parallel with the Kanawha County/Clay County Line 9584 feet and west of the Kanawha County/Clay County Line to a point; thence S89°52'56"E 5280 feet to a point; thence S00°07'04"W 7392.00 feet to a point just south of the Clay County/Nicholas County Line; thence, N59°32'04"E 7392 feet and in a generally parallel direction with the Clay County/Nicholas County Line to a point; thence, N00°07'04"E 7656 feet to a point; thence, N60°07'04"E 5280 feet to a point; thence S69°53'38"E 1831 feet to a point; thence, S30°22'04"W 2220 feet to a point; thence, S00°07'04"W 4224 feet to a point; thence, leaving the existing Gauley River Public Service District boundary and running with the proposed Gauley River Public Service District and generally with the Clay County/Nicholas County Line N59°32'04"E 10500 feet to a point; thence, with the proposed boundary N80°38'37"E 26487 feet to a point; thence, S73°00'29"E 19481 feet to a point; thence, east of and generally parallel with Jerry Fork S25°22'36"E 6214 feet to a point; thence, crossing Route 39 and due south 5691 feet to a point in the Wilderness Public Service District boundary; thence, with the Wilderness Public Service District boundary due west 6339 feet to the centerline of State Route 129; thence, with the Wilderness Public Service District boundary due south 1851 feet to a point; thence, leaving the Wilderness Public Service District boundary and with the proposed Gauley River Public Service District boundary S68°28'56"W 11982 feet to a point; thence, S03°51'59"W 6018 feet to a point west of a meander of the Gauley River, said river also being the Fayette County/Nicholas County Line; thence, S69°29'20"W 1520 feet to a point east of a meander of Peters Creek; thence, N33°59'28"W 10340 feet to a point; thence, N54°52'09"W 6920 feet to a point; thence, S50°00'30"W 2862 feet to a point in the existing Gauley River Public Service District boundary; thence, leaving the proposed Gauley River Public Service District boundary and with the existing Gauley River Public Service District boundary S00°07'04"W 4224 feet to a point south of Lower Elk Hollow; thence, S60°07'04"W 6072 feet to a point; thence, S00°07'04"W 9240 feet to a point northeast of the Nicholas County/Fayette County Line; thence, S51°52'04"W 19917 feet to a point; thence, N89°52'56"W 14074 feet to the point of beginning, Containing a new total of 24,980 acres more or less in Nicholas County, West Virginia.

By order of the County Commission of Nicholas County, the 17 day of May, 2000.

Signed: Tom Blankenship, President
Birl O'Dell, Commissioner
Mert Myers, Commissioner


EXISTING WILDERNESS P.S.D. BOUNDARY
PROPOSED GAULEY RIVER P.S.D. BOUNDARY
EXISTING GAULEY RIVER P.S.D. BOUNDARY
GAULEY RIVER P.S.D. PROPOSED BOUNDARY EXTENSION
GAULEY RIVER PUBLIC SERVICE DISTRICT
P. O. BOX 87, BELVA, WV 26656
(304) 632-2500
Pentree Incorporated

Reference: Notice of Public Hearing / Enlargement of Gauley River Public Service District

The attached notice was posted in the following places within the proposed boundary enlargement.

1. L. B. Feed Store - Drennen, WV
2. Lakeside B.P. - Drennen, WV
3. Dairy Bar - Drennen, WV
4. Lockwood Produce - Lockwood, WV
5. Gauley River PSD - Belva, WV
6. Vaughn Intersection -Vaughn, WV

Posted and witnessed by: Russell D. Dunlap

On the 5th day of June, 2000.

MINUTES OF THE NICHOLAS COUNTY COMMISSION - MAY 17, 2000

The Nicholas County Commission met in regular session at the Nicholas County Courthouse Wednesday, May 17, 2000. Present were: President Tom Blankenship, Commissioner Bird O'Dell and Commissioner Mert Myers.

Representing the media - Ray Corbin and Chrissy McClung

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, exonerations as presented by the Nicholas County Assessor were reviewed and approved.

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, invoices were reviewed and approved for payment.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, estate and fiduciary matters were approved as presented by the Nicholas County Clerk.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, minutes from commission meeting May 3, 2000 were reviewed and approved as presented.

In the Matter of: Appointment of Guardian for infant child Patrick Valentine
Present for this proceeding were: Judith A. Valentine (grandmother of infant) and Myrtle Shaham, and Dennis Ray Hypes (grandfather of infant) and Charlotte Hypes (grandmother of infant) being represented by Counsel Don Bischoff, and Prosecuting Attorney Keith McMillion and Assistant Prosecutor Clay Anderson. It is being noted for the record that all parties offering testimony in this proceeding were sworn in to testify.
Mr. Bischoff noted that on May 2, 2000 the parents of Patrick Valentine were killed in an automobile accident. Mrs. Valentine noted for the record she felt it would be in Patrick's best interest for Mr. & Mrs. Hypes to be appointed guardian. Her main concern was for her to be allowed visitation and rights to her grandson. At the close of the hearing, upon motion moved by President Blankenship and seconded by Commissioner O'Dell, with motion passing unanimously, Dennis and Charlotte Hypes were appointed guardian for Patrick Valentine.

Appearing before the Commission - Chuck Shaw, Account Representative, Acordia of West Virginia - Beckley.
Mr. Shaw appeared to review the county's Statement of Values for our insurance renewal - 2000/2001.

In the matter of: Estate of Anna Madge Baker / Appearing before the Commission - J. P. Baker
Mr. Baker informed the Commission that Paula Cunningham at the consent of both him and his brother, qualified to administer his mother's estate. He noted that his mother had stocks and bonds and enough time has elapsed he felt the estate should be settled. Following a brief discussion, President Blankenship informed Mr. Baker that our office would direct a letter to Ms. Cunningham inquiring of the status of this estate and reminding her that the bond is due, and will notify him accordingly.

Appearing before the Commission - Shawn DeHaven, representing Valic Retirement Services
Mr. DeHaven appeared to inform the Commission that the county's supplemental retirement plan through PEBSCO has done away with their field representatives on accounts less than $500,000 and now anyone wishing to address their plan must do so via a telephone to Nationwide's main office. Valic Insurance is currently working to get the endorsement from the West Virginia Association of Counties to handle these accounts and provide on sight service. Mr. DeHaven noted he would be back in touch.

MINUTES OF THE NICHOLAS COUNTY COMMISSION - MAY 17, 2000

Appearing before the Commission - Russell Deering, Chair, and Ramona Skaggs representing Gauley River Public Service District. Sitting in: Joe Hoffman, P. C. Brown, Wilkie Barnett, and Bert Gross.
Mr. Deering presented a petition to expand their boundaries in Nicholas County to Twenty Mile and possibly Jerrys Fork. Mr. Deering stated they could not do any more water extension projects until some source of back up water system was obtained. AML is currently doing a study from the Elk Mountain area to Jerry's Fork that entail approximately 150 households. In speaking to USDA (Farmers Home) Mr. Deering stated they told him that there was money to do this project through the Central Appalachian Empowerment Zone. Mr. Deering noted that the water would come from Clay County and eventually would connect to Summersville at Jerry's Fork. It was noted that once an agreement was made with Clay, the district would be obligated to maintain the Agreement. President Blankenship noted a meeting that Mr. Deering sat in on involving the City of Summersville's plan to bring water to the base of Little Elk Mountain and that their figures were based upon the same number of customers. Further that Summersville's projected project could be construed as a boundary expansion. Mr. Deering noted that the City of Summersville's plan as submitted to the Infrastructure Council is only a plan and not a boundary expansion. Following discussion, upon motion moved by President Blankenship and seconded by Commissioner Myers, with motion passing unanimously, a Resolution was entered setting forth a public meeting on June 21, 2000 at 10:00 a.m., for the proposed enlargement of the Gauley River Public Service District. Petition and Resolution attached to be recorded.

Appearing before the Commission - Cindy Stanton, Committee person representing Summersville's Beautification and Revitalization Committee.
Mrs. Stanton informed the Commission of the Committee's goals and noted their first project will place emphasis here on Main Street in front of the Courthouse. They do want to put in street lamps and asked if the commission would consider contributing to the cost of two street lights to be placed on the front corner of the courthouse. They have obtained no exact cost but the Committee is estimating approximately $1,000 per lamp post. Also she noted some planters and benches they would like to place in front of the Courthouse. The Commission informed Mrs. Stanton that we would do our best to cooperate.

Upon motion moved by President Blankenship and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission entered an Order to Realign the terms of expiration of the board members of the Craigsville Public Service District as follows: Arden Bayless - October 5, 2003, Alice Cutlip - October 5, 2005 and Carroll Stalnaker - October 5, 2007. Order attached to be recorded.

Upon motion moved by President Blankenship and seconded by Commissioner Myers, with motion passing unanimously, the Commission entered a Resolution authorizing an application for matching fund grant for litter control through the Division of Natural Resources. Resolution attached to be recorded.

Being no further business to come before the Commission, the Commission hereby adjourned until June 7, 2000.

Tom Blankenship, President

Bird O'Dell, Commissioner

Mary Myers, Commissioner

RESOLUTION

The Nicholas County Commission met in regular session at the Courthouse, Summersville, West Virginia, on Wednesday, May 17, 2000, at which time a representative of the Gauley River Public Service District appeared and presented to the Commission a proposed Petition to enlarge the boundary of the service area for said District in connection with an extension project around West Virginia Route 39 in Nicholas County. In order to proceed with the project the Gauley River Public Service District must be expanded to include certain areas around West Virginia Route 39 in Nicholas County; and,

Upon motion moved by President Tom Blankenship and seconded by Commissioner Mert Myers, with motion passing unanimously, the following Resolution was adopted.

That the Gauley River Public Service District be expanded to include certain areas around West Virginia Route 39 and in Nicholas County; and,

The boundary involved is described as follows:

That the Gauley River Public Service District as described more aptly beginning with the southwest corner of the existing boundary; thence with the existing boundary N25°07'04"E and generally parallel with the Kanawha County/Fayette County Line 9504 feet to a point just west of the Nicholas/Clay/Kanawha/Fayette Counties junction; thence, N10°22'56"W and generally parallel with the Kanawha County/Clay County Line 9504 feet and west of the Kanawha County/Clay County Line to a point; thence S89°52'56"E 5280 feet to a point; thence S00°07'04"W 7392.00 feet to a point just south of the Clay County/Nicholas County Line; thence, N59°32'04"E 7392 feet and in a generally parallel direction with the Clay County/Nicholas County Line to a point; thence, N00°07'04"E 7656 feet to a point; thence, N60°07'04"E 5280 feet to a point; thence S69°53'38"E 1831 feet to a point; thence, S30°22'04"W 2220 feet to a point; thence, S00°07'04"W 4224 feet to a point; thence, leaving the existing Gauley River Public Service District boundary and running with the proposed Gauley River Public Service District and generally with the Clay County/Nicholas

accordingly.

Appearing before the Commission - Shawn DeHaven, representing Valic Retirement Services
Mr. DeHaven appeared to inform the Commission that the county's supplemental retirement plan through PEBSCO has done away with their field representatives on accounts less than $500,000 and now anyone wishing to address their plan must do so via a telephone to Nationwide's main office. Valic Insurance is currently working to get the endorsement from the West Virginia Association of Counties to handle these accounts and provide on sight service. Mr. DeHaven noted he would be back in touch.

County Line N59°32'04"E 10500 feet to a point; thence, with the proposed boundary N80°38'37"E 26487 feet to a point; thence, S73°00'29"E 19481 feet to a point; thence, east of and generally parallel with Jerry Fork S25°22'36"E 6214 feet to a point; thence, crossing Route 39 and due south 5691 feet to a point in the Wilderness Public Service District boundary; thence, with the Wilderness Public Service District boundary due west 6339 feet to the centerline of State Route 129; thence, with the Wilderness Public Service District boundary due south 1851 feet to a point; thence, leaving the Wilderness Public Service District boundary and with the proposed Gauley River Public Service District boundary S68°28'56"W 11982 feet to a point; thence, S03°51'59"W 6018 feet to a point west of a meander of the Gauley River, said river also being the Fayette County/Nicholas County Line; thence, S69°29'20"W 1520 feet to a point east of a meander of Peters Creek; thence, N33°59'28"W 10340 feet to a point; thence, N54°52'09"W 6920 feet to a point; thence, S50°00'30"W 2862 feet to a point in the existing Gauley River Public Service District boundary; thence, leaving the proposed Gauley River Public Service District boundary and with the existing Gauley River Public Service District boundary S00°07'04"W 4224 feet to a point south of Lower Elk Hollow; thence, S60°07'04"W 6072 feet to a point; thence, S00°07'04"W 9240 feet to a point northeast of the Nicholas County/Fayette County Line; thence, S51°52'04"W 19917 feet to a point; thence, N89°52'56"W 14074 feet to the point of beginning.

Containing a new total of 24,980 acres more or less and shown on the attached map to this Resolution to be made a part of same.

That in accordance with West Virginia §16-13A-2 that a public hearing be held on the proposed enlargement of the Gauley River Public Service District area in the office of the Nicholas County Commission, Nicholas County Courthouse, Summersville, West Virginia on the 21 day of June, 2000 at 10:00 o'clock a.m. and the Clerk of the County Commission of Nicholas County shall in accordance with said statute do all things necessary to publish a Class I legal advertisement as required by said statute and to cause a notice of the date, time, place and purpose of said hearing in a least five (5) conspicuous places in the Gauley River Public Service District which notice shall contain the same information as contained in the published notice, all as required by West Virginia

code §16-13A-2.

Given under our hands this 17 day of May, 2000.

All of which is accordingly so Ordered.

NICHOLAS COUNTY COMMISSION:

Tom Blankenship, President

Bill O'Dell, Commissioner

Mert Myers, Commissioner

NICHOLAS COUNTY COMMISSION

700 MAIN STREET, SUITE 1
SUMMERSVILLE, WEST VIRGINIA 26651

TOM BLANKENSHIP, President
BIRL O'DELL, Commissioner
MERT MYERS, Commissioner

TELEPHONE: (304) 872-7830
FAX: (304) 872-6602

June 1, 2000

NOTICE OF PUBLIC HEARING
ENLARGEMENT OF GAULEY RIVER PUBLIC SERVICE DISTRICT

NOTICE IS HEREBY GIVEN TO ALL PERSONS RESIDING IN OR OWNING OR HAVING ANY INTEREST IN PROPERTY IN SAID PROPOSED ENLARGED DISTRICT, that the County Commission of Nicholas County on its own order will conduct a public hearing on the 21 day of June, 2000 at 10:00 o'clock a.m., in the office of the Nicholas County Commission, Nicholas County Courthouse, Summersville, West Virginia, at which time and place all interested persons may appear before the County Commission of Nicholas County and shall have an opportunity to be heard for and against the enlargement of said public service district as set forth herein.

The lands involved are described as follows:

That the Gauley River Public Service District as described more aptly beginning with the southwest corner of the existing boundary; thence with the existing boundary N25°07'04"E and generally parallel with the Kanawha County/Fayette County Line 9504 feet to a point just west of the Nicholas/Clay/Kanawha/Fayette Counties junction; thence, N10°22'56"W and generally parallel with the Kanawha County/Clay County Line 9504 feet and west of the Kanawha County/Clay County Line to a point; thence S89°52'56"E 5280 feet to a point; thence S00°07'04"W 7392.00 feet to a point just south of the Clay County/Nicholas County Line; thence, N59°32'04"E 7392 feet and in a generally parallel direction with the Clay County/Nicholas County Line to a point; thence, N00°07'04"E 7656 feet to a point; thence, N68°07'04"E 5280 feet to a point; thence S69°53'56"E 1831 feet to a point; thence, S30°22'04"W 2220 feet to a point; thence, S00°07'04"W 4224 feet to a point; thence, leaving the existing Gauley River Public Service District boundary and running with the proposed Gauley River Public Service District and generally with the Clay County/Nicholas County Line N59°32'04"E 10500 feet to a point; thence, with the proposed boundary N89°38'57"E 26487 feet to a point; thence, S73°08'29"E 19481 feet to a point; thence, east of and generally parallel with Jerry Fork S15°22'36"E 6214 feet to a point; thence, crossing Route 39 and due south 5691 feet to a point in the Wilderness Public Service District boundary; thence, with the Wilderness Public Service District boundary due west 6339 feet to the centerline of State Route 129; thence, with the Wilderness Public Service District boundary due south 1851 feet to a point; thence, leaving the Wilderness Public Service District boundary and with the proposed Gauley River Public Service District boundary S68°28'56"W 11982 feet to a point; thence, S85°51'59"W 6018 feet to a point west of a meander of the Gauley River, said river also being the Fayette County/Nicholas County Line; thence, S69°29'28"W 1520 feet to a point east of a meander of Peters Creek; thence, N33°59'28"W 10340 feet to a point; thence, N54°52'09"W 6920 feet to a point; thence, S50°00'30"W 2862 feet to a point in the existing Gauley River Public Service District boundary; thence, leaving the proposed Gauley River Public Service District boundary and with the existing Gauley River Public Service District boundary S00°07'04"W 4224 feet to a point south of Lower Elk Hollow; thence, S60°07'04"W 6072 feet to a point; thence, S00°07'04"W 9240 feet to a point northeast of the Nicholas County/Fayette County Line; thence, S51°52'04"W 19917 feet to a point; thence, N89°52'56"W 14074 feet to the point of beginning. Containing a new total of 24,988 acres more or less in Nicholas County, West Virginia.

By order of the County Commission of Nicholas County, the 17 day of May, 2000.

Signed: Tom Blankenship, President
Birl O'Dell, Commissioner
Mert Myers, Commissioner

BOOK 39PG 46

MINUTES OF THE NICHOLAS COUNTY COMMISSION - JUNE 21, 2000

The Nicholas County Commission met in regular session at the Nicholas County Courthouse Wednesday, June 21, 2000. Present were: President Tom Blankenship, Commissioner Bill O'Dell and Commissioner Mort Myers.

Representing the media - Ray Corbin and Chrissy McClung

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, exonerations as presented by the Nicholas County Assessor were reviewed and approved.

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, invoices were reviewed and approved for payment.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, estate and fiduciary matters were approved as presented by the Nicholas County Clerk.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, minutes from commission meeting June 7, 2000 were reviewed and approved as presented.

Appearing before the Commission - Assessor Fred Roberts and Ernie Dennison
Assessor Roberts appeared to obtain approval to hire the following people for part time Deputy Assessors for the summer of 2000; Helen Rose, Sherrie Kuntz, Betty J. Collins, Brian Phipps, Fred A. Roberts Jr., Aaron Alexander, Kim Childers and Marie Facemire. Mr. Roberts noted they will work on a contractual basis and will be paid the going rate for mileage for use of their personal vehicles. Upon motion moved by President Blankenship and seconded by Commissioner O'Dell, with motion passing unanimously, approval was given for the Assessors office contractual help. Also approval was given for Mr. Roberts to substitute in the event someone is unable to carry out their duty.

Appearing before the Commission - postmistress Elizabeth Sydner of the Craigsville Postal Service
This meeting took place at 9:15 a.m., and was advertised as such by Mrs. Sydner in the local paper giving the citizens an opportunity to express their views on Craigsville's Post Office facility expansion project. There was no citizen participation to record. Upon motion moved by President Blankenship and seconded by Commissioner Myers, with motion passing unanimously, the Commission endorsed the expansion project of the Craigsville Postal Service.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, Mike Tyler was appointed to fill the soon to expire term of Bob Stancher on the Nicholas County Airport Authority. Mr. Tyler's term will begin July 1, 2000 and will expire July 1, 2005.

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, Joe Young was reappointed to the Nicholas County Board of Health for a five-year term ending June 30, 2005.

Commissioner O'Dell noted for the record that our dog warden upgraded to a new cellular phone and that the Commission has in their possession the old phone. He noted there is a program going on in the county through H.O.P.E. asking for individuals to turn their old phones in to be used by victims of domestic violence. It was noted that while the phones have been deprogrammed, the E-911 feature still works. Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission will turn this cellular phone over to H.O.P.E.

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion

passing unanimously, Perry Quesner was reappointed to the Nicholas County Solid Waste Authority for a three-year term of office, expiring June 30, 2003.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, Michael Steadham was reappointed to the 4-C Economic Development Authority for a three-year term of office, expiring June 30, 2003.

At 10:30 a.m., a public hearing was held concerning the proposed boundary change of the Gauley River Public Service District, to include certain areas around West Virginia Route 39. Present were: Gauley River Public Service District Chair Russell Deering, B. C. Brown, Jim Harford, Ike Pritt, Bert Gross, Joe Hoffman, Wilkie Barnette, Howard Neil, Lebanna Neil, Alfred Morris and Betty Smallwood.
President Blankenship noted that this meeting was properly advertised and posted.
Mr. Deering elaborated on a meeting held June 15 at Region 4 Planning and Development Office in which the Gauley River Public Service District, City of Summersville, Wilderness Public Service District, and Nicholas County Commission was represented to work out the details of the proposed enlargement. A conference call was placed to Jim Anderson with USDA Rural Development. Mr. Deering noted the meeting went well, and that an Intergovernmental Agreement is being drafted. Wilderness Public Service District will serve as Gauley River's emergency backup source and Gauley River will bring the water up to Jerry's Fork and the City of Summersville will eventually extend to Jerry's Fork. The funding for Gauley River PSD's proposed expansion project is coming through the Central Appalachian Empowerment Zone and if application is in by this summer, they can expect the project to be funded in April 2001. It is being noted that no opposition was expressed.
Upon motion moved by President Blankenship and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission entered an Order determining it necessary, feasible and proper to enlarge the Gauley River Public Service District and that it will be conducive to the preservation of public health, comfort and convenience of said area. (Order attached to be recorded)

Appearing before the Commission - Sheriff David Meadows and Probation Officer Roger Beverage and Rose Williams.
Mr. Beverage introduced Ms. Williams as their intern for the summer through Glenville State College.
As a follow up to their meeting before the Commission on June 7, the gentlemen presented to the Commission a job description of a Community Service Coordinator setting forth administration and responsibilities. The Commission took no action at this time. Mr. Beverage noted that if the Commission considers favorably in hiring a coordinator, that person would need adequate equipment to function, such as a van. He conveyed that we could use the van in transportation of prisoners and as transportation for jurors in court related cases.
The Sheriff made note on a separate matter that if the gas prices continue to rise, he would fall short within his budget for FY 2000-2001.

Appearing before the Commission - Cindy Stanton, Committee person representing Summersville's Beautification and Revitalization Committee
Mrs. Stanton appeared to give an update as to their Committee's progress and informed them that they now have a commitment of 20 street lamps. She asked if the Commission would consider purchasing two more to be placed at the front entrance of the sidewalk coming up to the courthouse. The purchase price of each light is $1,150. The City of Summersville will absorb the costs of installation and powering the lights. Following a brief discussion, upon motion moved by President Blankenship and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission agreed to purchase four street lamps.
Mrs. Stanton also received approval for their committee to mulch and shape some trees on the lawn, move some planters around, and perhaps pressure wash the monument.

BOOK 39PG 48

MINUTES OF THE NICHOLAS COUNTY COMMISSION - JUNE 21, 2000

Being no further business to come before the Commission, the Commission hereby adjourned until July 5, 2000.

Tom Blankenship, President

Bill O'Dell, Commissioner

Mark Myers, Commissioner

ORDER

Whereas, pursuant to a Class I legal notice, and posted notice as required by statute, a public hearing was held in the matter of the proposed boundary change of the Gauley River Public Service District, to include certain areas around West Virginia Route 39; and,

Whereas, said public hearing was conducted on June 21, 2000 at 10:00 a.m., in the office of the Nicholas County Commission, Nicholas County Courthouse, Summersville, West Virginia, for the express purpose of public comment on the proposed boundary change; and,

Whereas, it was noted that present for the hearing was Gauley River Public Service District Chairman Russell Deering, B. C. Brown, Jim Harford, Ike Pritt, Bert Grose, Joe Hoffman, Wilkie Barnette, Howard Nell, Lebenon Nell, Alfred Morris, and Betty Smallwood, appeared to offer input into this matter.

The Nicholas County Commission then opened the hearing to public comment.

Upon motion moved by President Tom Blankenship and seconded by Commissioner Bid O'Dell, with motion passing unanimously, the Nicholas County Commission determined it necessary, feasible and proper to enlarge the Gauley River Public Service District and that it will be conducive to the preservation of public health, comfort and convenience of said area; and, approved the boundary change, there being only positive comments from the public and no opposition expressed by the public.

THEREFORE, the following revised boundary change was so ORDERED by the Nicholas County Commission:

That the Gauley River Public Service District as described more aptly beginning with the southwest corner of the existing boundary; thence with the existing boundary N25°07'04"E and generally parallel with the Kanawha County/Fayette County Line 9504 feet to a point just west of the Nicholas/Clay/Kanawha/Fayette Counties junction; thence, N10°22'56"W and generally parallel with the Kanawha County/Clay County Line 9504 feet and west of the Kanawha County/Clay County Line to a point; thence S89°52'56"E 5280 feet to a point; thence S00°07'04"W 7392.00 feet to a point just south of the Clay County/Nicholas County Line; thence, N59°32'04"E 7392 feet and in a generally parallel direction with the Clay County/Nicholas County Line to a point; thence, N00°07'04"E 7656 feet to a point; thence, N60°07'04"E 5280 feet to a point; thence S69°53'38"E 1831 feet to a point; thence, S30°22'04"W 2220 feet to a point; thence, S00°07'04"W 4224 feet to a point; thence, leaving the existing Gauley River Public Service District boundary and running with the proposed Gauley River Public Service District and generally with the Clay County/Nicholas

County Line N59°32'04"E 10500 feet to a point; thence, with the proposed boundary N80°38'37"E 26487 feet to a point; thence, S73°00'29"E 19481 feet to a point; thence; east of and generally parallel with Jerry Fork S25°22'36"E 6214 feet to a point; thence, crossing Route 39 and due south 5691 feet to a point in the Wilderness Public Service District boundary; thence, with the Wilderness Public Service District boundary due west 6339 feet to the centerline of State Route 129; thence, with the Wilderness Public Service District boundary due south 1851 feet to a point; thence, leaving the Wilderness Public Service District boundary and with the proposed Gauley River Public Service District boundary S68°28'56"W 11982 feet to a point; thence, S03°51'59"W 6018 feet to a point west of a meander of the Gauley River, said river also being the Fayette County/Nicholas County Line; thence, S69°29'20"W 1520 feet to a point east of a meander of Peters Creek; thence, N33°59'28"W 10340 feet to a point; thence, N54°32'09"W 6920 feet to a point; thence, S50°00'30"W 2862 feet to a point in the existing Gauley River Public Service District boundary; thence, leaving the proposed Gauley River Public Service District boundary and with the existing Gauley River Public Service District boundary S00°07'04"W 4224 feet to a point south of Lower Elk Hollow; thence, S60°07'04"W 6072 feet to a point; thence, S00°07'04"W 9240 feet to a point northeast of the Nicholas County/Fayette County Line; thence, S51°52'04"W 19917 feet to a point; thence, N89°52'56"W 14074 feet to the point of beginning. Containing a new total of 24,980 acres more or less and shown on the attached map to this Order to be made a part of same.

All of which is accordingly so Ordered.

Enter this 21 day of June, 2000.

NICHOLAS COUNTY COMMISSION:

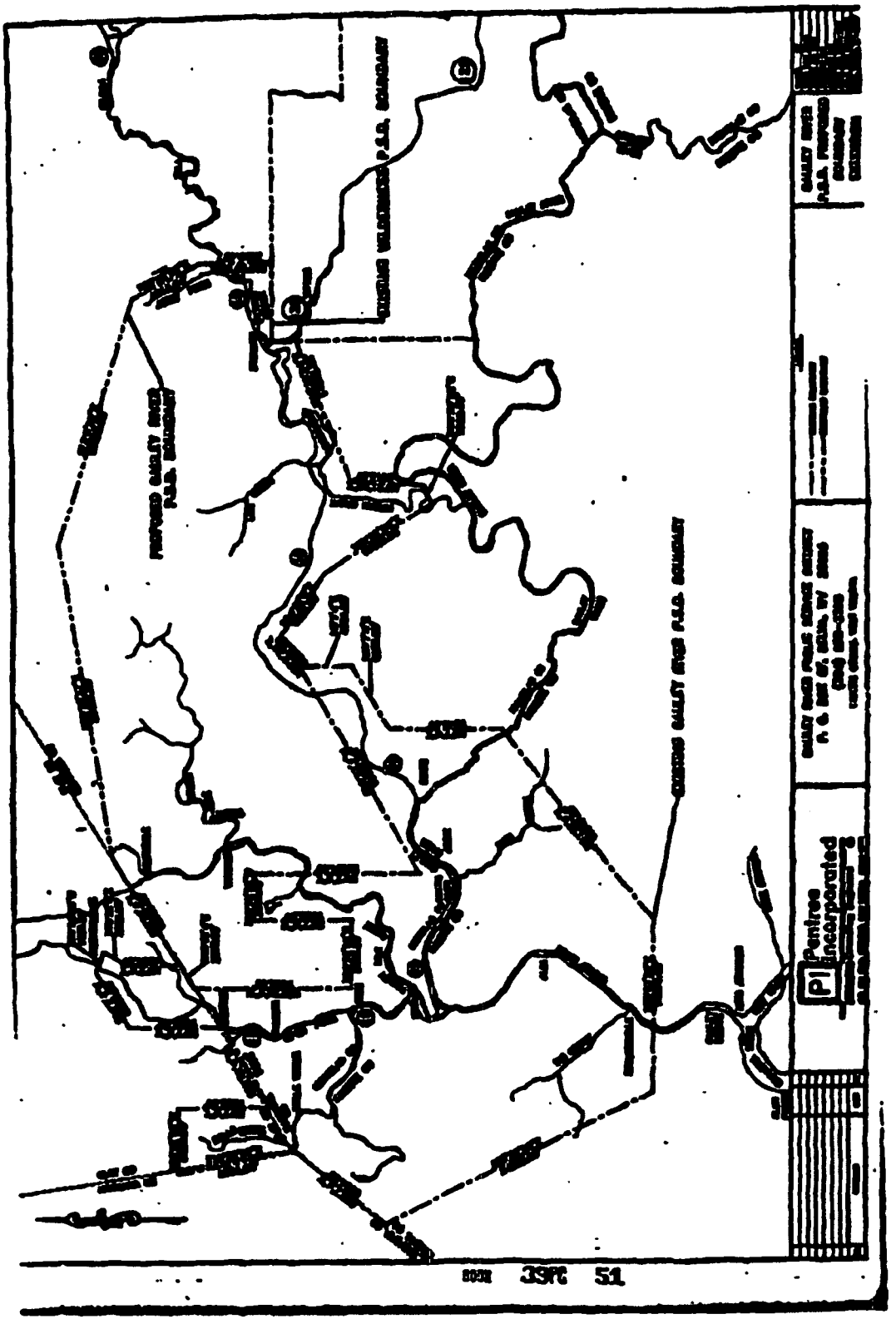
Tom Blankenship, President

Bill O'Dell, Commissioner

Mark Myers, Commissioner

ATTEST:

John Greer, Clerk



BOOK 39PG 51

000962alj121900.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: December 19, 2000

1-801

CASE NO. 00-0962-PWD-PC

NICHOLAS COUNTY COMMISSION
Petition for consent and approval to enlarge Gauley River Public Service District.

RECOMMENDED DECISION

On June 26, 2000, the Nicholas County Commission filed a petition for consent and approval of an Order of the Nicholas County Commission that it entered on June 21, 2000, seeking to expand the boundaries of the Gauley River Public Service District, pursuant to West Virginia Code §16-13A-2. The County Commission's petition addresses only water service.

On July 24, 2000, Staff Attorney Cecelia Jarrell filed the Initial and Final Joint Staff Memorandum to which was attached the Initial and Final Internal Memorandum prepared by Ms. Karen Buckley, Utilities Analyst, Water and Wastewater Division, and Mr. David W. Holley, Technical Analyst, Engineering Division. Staff explained that, in accordance with West Virginia Code §16-13A-2, the Nicholas County Commission held a public hearing on June 21, 2000, to address the proposed boundary expansion and provide an opportunity to the public to voice any opposition or support. There were only positive comments from the public and no opposition expressed by the public. The Nicholas County Commission determined it necessary, feasible and proper to enlarge the Gauley River Public Service District and that it would be conducive to the preservation of public health, comfort and convenience of the area. Staff opined that the Nicholas County Commission has sufficiently satisfied the requirements as set forth in West Virginia Code §16-13A-2. Therefore, Staff recommended approval of the Nicholas County Commission's petition to expand the boundaries of the Gauley River Public Service District.

By Order dated October 5, 2000, this matter was set for a hearing to be held in the Summersville Municipal Auditorium Teen Center, Summersville, West Virginia, on October 25, 2000. Said Order provided that the Nicholas County Commission publish a Notice of Hearing, once, in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Nicholas County.

The hearing was held as scheduled. Mr. Tom Blankenship appeared for the Nicholas County Commission. The Commission Staff was represented by Staff Attorney Cecelia Jarrell. No one appeared at the hearing in protest to the Nicholas County petition.

FINDINGS OF FACT

1. On June 26, 2000, the Nicholas County Commission filed a petition for consent and approval of an Order of the Nicholas County Commission that it entered on June 21, 2000, seeking to expand the boundaries of the Gauley River Public Service District pursuant to West Virginia Code §16-13A-2. The County Commission's petition addressed only water service. (See, Petition).

2. On July 24, 2000, Staff Attorney Cecelia Jarrell filed the Initial and Final Joint Staff Memorandum recommending approval of the Nicholas County Commission's petition. (See, Final Joint Staff Memorandum filed July 24, 2000).

3. By Order dated October 5, 2000, this matter was set for a hearing to be held in the Summersville Municipal Auditorium Teen Center, Summersville, West Virginia, on October 25, 2000. Said Order also provided that the Nicholas County Commission publish a Notice of Hearing, once, in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Nicholas County. (See, Order dated October 5, 2000).

4. The Nicholas County Commission filed a proper affidavit of publication reflecting that publication of the Notice of Hearing had been made in accordance with the Commission's requirements. (See, Affidavit of Publication, Commission case file).

5. At the hearing held on October 25, 2000, no one appeared in protest to the Nicholas County Commission's petition. (See, Tr., p. 4).

CONCLUSION OF LAW

Since the Nicholas County Commission properly published the Notice of Hearing, and no one appeared in protest to the Nicholas County Commission's petition at the hearing held on October 25, 2000, the petition of the Nicholas County Commission for approval of a June 21, 2000 Order of the Nicholas County Commission to expand the boundaries of the Gauley River Public Service District should be approved.

ORDER

IT IS, THEREFORE, ORDERED that the Order of the Nicholas County Commission, dated June 21, 2000, and filed with the Commission on June 26, 2000, seeking approval to expand the boundaries of the Gauley River Public Service District, pursuant to West Virginia Code §16-13A-2, be, and the same hereby is, approved.

MINUTES OF THE NICHOLAS COUNTY COMMISSION - APRIL 16, 2003

The Nicholas County Commission met in a regular session at the Nicholas County Courthouse Wednesday, April 16, 2003. Present were: President Tom Blankenship, Commissioner Bill O'Dell and Commissioner Mert Myers. Also present:

Representing the media - Ray Corbin

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, exonerations as presented by the Nicholas County Assessor were reviewed and approved.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, invoices were reviewed and approved for payment.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, estate and fiduciary matters were approved as presented by the Nicholas County Clerk.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, minutes from commission meeting April 2, 2003 were reviewed and approved as presented.

Appearing before the Commission - Probation Officer Roger Beverage Sitting in: Emergency Service Director David King, Sheriff David Meadows, and Nicholas County Liaison to the 4-C Economic Development Authority Ralph Kelly
Mr. Beverage appeared to provide a summary overview resulting from the round table meeting the Commission held on April 8, 2003 of which he facilitated concerning the office of emergency services..
Mr. Beverage presented in written form a county evaluation of emergency operating plan which touched upon; recommendations and suggestions from Nicholas County to improve Office of Emergency Services operation within the county, recommendations to improve communications within and outside the county during a county disaster, insure adequate drinking water and adequate food, are provided to citizens, insure adequate shelters are established, insure adequate medical care is available to citizens, insure emergency transportation is available during a period of disaster and develop a plan to provide fuel to the public and emergency providers.
President Blankenship thanked Mr. Beverage for his assistance in conducting the meeting and for his efforts in summarizing and putting together an evaluation. The Commission will review his submission.

Appearing before the Commission - Theresa Cornett Sitting in: E-911 Coordinator David King, Clerk John Greer and Sheriff David Meadows
Ms. Cornett, a resident of Canvas appeared to discuss the name of her road, that being Persinger Ford Road. She conveyed she was informed by Mr. King that the residents residing along the road would need to come up with another name for their road, that it would be confusing to dispatch if a call were to come in that emergency providers may be sent to Persinger. She presented a petition of the residents requesting to maintain the name of the road. Currently there are 11 occupied homes and two vacant homes. Discussion followed whether Persinger Ford Road occupied both sides of the river or if there was an off road on Nile road with the same name. The State put a road sign up approximately five years ago designating their road as Persinger Ford Rd. Following a brief discussion, the Commission accepted her petition to be put on file and advised her they would make the appropriate contacts to determine if in fact another roadway was named the same. If so, it was mentioned that the name would need to be changed in one area.

Appearing before the Commission - Angie Knight, Administratrix over the Estate of Judy Painter and Dallas Knight. Sitting in: Sheriff David Meadows.
Mrs. Knight informed the Commission that from 1998 thru June 2002 her mother who was employed as Chief Tax Deputy for the Nicholas County Sheriff acquired 98.5 hours in overtime of which she

was never compensated for, the dollar amount being $2,013.15. She noted prior to the Sheriff Meadows administration, other Chief employee working for the county received compensation for their overtime worked and as well as other employees at the present. She requested for the Estate to be reimbursed for the 98.5 hours. Mrs. Knight acknowledged she did not bring this matter to the Sheriffs attention prior to coming before the Commission. She stated her mother was aware that other people were being compensated for their overtime, but never said anything for fear of losing her job.
The Sheriff conveyed the topic was never brought to his attention in the past, however just this past Monday he was approached by his current Chief Tax Deputy who inquired of the over time issue. The Sheriff conveyed to her that based upon his knowledge of supervisory positions that if the employer has reached an agreement with them, they can serve wage and hour exempt supervisor employee or they can serve as nonexempt. He told his employee that he would giver her the option of being exempt or nonexempt. He noted the difference being if a person is on salary the wage and hour does not enter into it. His Chief Tax Deputy conveyed she would like to serve as nonexempt and be subject to overtime pay. The Sheriff also conveyed he knew there was a section in the code wherein the employer and employee if agreed upon could receive overtime at time and one half for time off. The Commission sent for payroll clerk Wanda Hendrickson to come by and asked if she had a chance to verify the time sheets of Mrs. Painter and Mrs. Hendrickson conveyed she had. When asked if other employees receive compensation for over time she stated we do from various elected offices. An example would be during election time for the Clerk and Circuit Clerk offices. The Commission advised Mrs. Knight that our office would get back in touch with her concerning the decision reached.

Appearing before the Commission - Principle C. C. Lester of Richwood Jr. High Sitting in: Sheriff David Meadows
Mr. Lester appeared asking to maintain deputy sheriff Wayne Plummer as the Prevention Retention Officer (PRO) for the next school term. He noted that Deputy Plummer has built a report with the students and has done an excellent job. The Sheriff conveyed it has been his policy to rotate the officer every two years, and with Deputy Plummer holding the rank of Sergeant and with the turnover his office has experienced, he needs his experienced rank personnel in a supervisory capacity. The Commission advised Principle Lester that they can only recommend and make suggestions but it is up to the Sheriff when it comes to the scheduling of his officers. Mr. Lester conveyed he understood and appreciated the Sheriffs position and also because of the importance of the program would like to see Deputy Plummer remain at the Jr. High. The Commission conveyed to Mr. Lester they were sure the Sheriff would let him know of his decision soon.

Appearing before the Commission - Assistant Prosecuting Attorney James Milam, Drug Task Force members Dennis Morton, Kenny Barnett, Ty Barker, Sheriff David Meadows and Deputy Sheriff office staff Leah Burkholder.
Mr. Morton being the main spokesperson submitted the Task Forces renewal grant application to continue their program. He noted they would be asking for $64,000 from the Department of Criminal Justice. The commission approved the grant application upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously.

Appearing before the Commission - Sheriff David Meadows
Sheriff Meadows informed the Commission that in all likelihood beginning with the last two weeks in July and continuing the month of August he intends to alter the scheduling of the tax department to accommodate the public during the peak tax season. He conveyed this change would not involve overtime by working the schedule as such, but intends to have the office remain open on Friday evenings until 6:00 p.m., and one half day on Saturdays. President Blankenship conveyed he thought this was a good idea.
On a personnel matter the Sheriff requested to enter into executive session. Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission entered into executive session pursuant to West Virginia Code 6-9A-4 at 9:45 a.m. Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission entered into regular session pursuant to West Virginia Code 6-9A-4 at 9:53 a.m. It was noted that no decisions were made while in executive session.

MINUTES OF THE NICHOLAS COUNTY COMMISSION - APRIL 16, 2003

Appearing before the Commission - Russell Deering, Chair, Gauley River Public Service District
It is being noted for the record a large crowd gathered in for this meeting and for those people who were able to sign the attendance record, their names are herein attached to be recorded.
Mr. Deering expressed his purpose for appearing today was to try and help the people on Rt. 39 from Jerry's Fork to Summersville to obtain water. He also conveyed he would need a back up source for water. Mr. Deering noted that sometime back he was notified by a city official that Summersville was not interested in taking water down Rt. 39 and that their plans were to go a different direction. He attended two meetings of the city council. His understanding from the last meeting, the City agreed they would take the water down Rt. 39. Mr. Deering conveyed his Board of Directors passed a Resolution and Petition asking the County Commission to submit this project for consideration for Gauley River to proceed. Mr. Deering stated he make application for funding late this fall or early spring for this project. It was noted over 600 families would be included within the scope of this project. Mr. Deering noted that it was his understanding that the City of Summersville next phase is going in another direction and while they pursue that, his district could pursue Rt. 39. Attending this meeting was City Recorder Mike Brown and Project Manager Lisa Baker. Mr. Brown did not dispute Mr. Deering's statement that he spoke with a council member, but did say that did not reflect the position of the council as a whole. Mr. Brown noted that the City did vote this past Monday night to pursue Rt. 39. He noted why it was not done any earlier was because of the delays of their water source. The regional water plant is currently being built and should be operational within a year from now. Prior to that the City did not have the water source to take in and serve a large area. Mr. Brown noted that Rt. 39 was incorporated in their overall plans submitted to the Public Service Commission, but noted they could change. He noted according to the City's engineer they are six months ahead in plan design for this area. Mr. Deering noted that he would like to see boundaries established either by them or the City so the people of the area could have a voice and attend meetings concerning water needs of the area. Mr. Brown agreed. There was some discussion when Mr. Brown conveyed he has been in his position with the City approximately four years and has not had any conversations with anyone from the area concerning water. Some residents disagreed and it was mentioned that four petitions were brought to the City over the years and inquired what happened to them. Also attending this meeting was Alice King representing Region 4 Planning and Development Council who wanted the people present to know that when the decision has been made as to how the water is going to come, it will not happen overnight. The project would need to be submitted to the Infrastructure Council for funding and the process is lengthy.
Upon motion moved by President Blankenship and seconded by Commissioner Myers, with motion passing unanimously, the Commission agreed to enter an Order to pursue a public hearing based upon the request of Gauley River Public Service District and at that time reach a decision based upon comments received. Said notice will be duly published and posted within five prominent places. Later during the day the Commission entered an Order setting May 7, 2003 at 7:00 p.m., at the Nicholas County Courthouse - 2nd floor courtroom.

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission authorized an application for the county's CDBG Gauley River PSD/Wilderness PSD Water Extension project application be approved for payment from the Small Cities Community Development Block Grant. Resolution attached.

Appearing before the Commission - Red Cross Chapter President Nelson Deitz
Mr. Deitz informed the Commission that their Chapter was formed in 1917 and later fell by the wayside. In 1973 the Chapter was reorganized. In 1993 the National Headquarters began a reorganization and as part of that chapters need to reorganize periodically (around every five years). Nicholas County's latest recharter occurred in 2002. Mr. Deitz gave a brief overview of the services provided by Red Cross. He conveyed several years ago within the state there were approximately 50+ chapters organized. After National Headquarters began their reorganizations many of the chapters were eliminated either because of inactivity or other reasons and were consolidated with other area chapters. To date there are eighteen chapters in West Virginia with the majority falling into a multi-county chapters. He noted just recently, Raleigh County Chapter was incorporated into Central WV Chapter based out of Charleston. Since the ice storm he has had several people to inquire about joining Red Cross. Mr. Deitz informed the Commission the possibility is out there of this happening to Nicholas County and if that be the case the Commission then services offered would come directly from the main headquarters. He noted a membership drive meeting would be upcoming and has made arrangements to use the Commissions office to conduct their meeting. The Commission thanked Mr. Deitz for his efforts and that of the Red Cross.

MINUTES OF THE NICHOLAS COUNTY COMMISSION - APRIL 16, 2003

Appearing before the Commission - Gene Watkins representing Watkins and Associates
Mr. Watkins appeared to determine if the Commission had an interest for their firm to conduct an audit of the county's telecommunication bills. Around 90 percent has resulted in a savings for counties as a result of overcharges. He noted they can go back three years. After they finish with their review, it is presented to the phone company for their own audit. The money will be returned to the county commission and Watkins will be paid upon a contingency basis. They would require a contract to be signed, a letter of authorization and a copy of our long distance and local telephone bill. The Commission thanked Mr. Watkins for coming by and they would take his request under consideration.

Appearing before the Commission - Assessor Ernie Dennison
Mr. Dennison conveyed he was in receipt of some information from the State Tax Department on an industrial return for Georgia Pacific's inventory. On March 25, 2003 he had received a fax from Evan Thurmond that Georgia Pacific had filed additional information with the state concerning inventory which was believed to be covered under the Freeport Exemption. This information was provided to the State on March 3, 2003. On March 27 Mr. Dennison contacted Brian Perry, Manager of Georgia Pacific in Atlanta for additional information concerning the inventory. Mr. Perry conveyed to our Assessor he had sent this information to the state previously, and agreed to provide his office with the information. Upon receipt of the information Mr. Dennison conveyed he contacted Jerry Knight with the State Tax Department and Steve Judy who is the Chief Industrial Appraiser for West Virginia. Upon discussing this problem with them, it was found to be in error. The error dollar amount in appraised value is 3,646,165. The assessed dollar amount being 2,187,699. Mr. Dennison noted he researched this to determine if there was any reason that Georgia Pacific should not receive the exemption and he has come to the conclusion their industrial return was submitted in a timely manner, there was a note with the state they would review the Freeport Exemption upon additional information, but for whatever reason this matter was not addressed and Nicholas County has since closed its books. Mr. Dennison wanted it made known for the record this error was through no fault of his office, but rather on the State of West Virginia Tax Department Industrial Return. An estimation of tax dollars lost would be $59,654.17 based upon the 2002 tax rate. Assessor Dennison conveyed the Commission will need to address the matter now adjust its budget accordingly or they will end up doing an exoneration later and still be out of the money. Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission asked Mr. Dennison to contact the State Tax Department to prepare and submit a letter of explanation for this error and will follow through upon receipt. Assessor Dennison noted the breakdown in approximate error as follows - school board - $30,000, county - $12,000, Richwood - $16,000, and the state will be out approximately $200,000.

Appearing before the Commission - Senator Robert Plymale, Director of the Rahall Transportation Institute and Caleb Young representing Edwards & Kelcey Sitting in - City of Summersville Recorder Mike Brown
Mr. Plymale and Ms. Young appeared and gave a power point presentation to address a Master Land Use Plan for Nicholas County pursuant to Senate Bill 603. Senate Bill 603 provides for the review and recommendations by local economic or redevelopment authorities of surface-mining reclamation plans and to allow the Coal Field Community Development Office to prepare a Master Land Use Plan for inclusion in a Reclamation Plan. Edwards and Kelcey has been contracted to deliver the final product for Nicholas and Greenbrier counties. The study will not be limited to surface mining sites but brownfield sites can be targeted as well. There are 17 coalfield communities identified with Nicholas County being number 11 on the list. There will be no cost to the county. The county would need to appoint a steering committee and Edwards & Kelcey will facilitate all meetings. The steering committee will only need to meet three times and due to the time constraints on the funding, the final project will need to be completed by the end of June. Following their presentation, it was agreed upon for Nicholas County to participate. The Commission advised Mr. Plymale and Ms. Young of its intent to participate and will be meeting Friday with our discussion group on economic development. Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission agreed to move forward and to put into action the Nicholas County Master Land Use Plan as outlined by Edwards & Kelcey and sponsored through the Transportation Institute.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, approval of a fire service agreement by and between the Nettie Fire Department and Nicholas County Commission pursuant to action taken by the Nettie Fire Department, Inc., to enter into a loan agreement in order to refinance a firehouse. Copy attached to be recorded

MINUTES OF THE NICHOLAS COUNTY COMMISSION - APRIL 16, 2003

Appearing before the Commission - Clerk John Greer and Julia Bailey on the estate of Geneva Stover, File No. 3456
Mrs. Bailey appeared to see if anything had transpired on this estate matter since her meeting before the Commission July 17, 2002. The Commission conveyed we failed to keep on top of this matter and will contact former Fiduciary Commissioner Greg Tucker to see if he made contact with the bonding company along with a letter to our Prosecuting Attorney of any other options available.

Concerning a personnel matter, upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission entered into executive session pursuant to West Virginia Code 6-9A-4 at 12:41 p.m.
Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission entered into regular session pursuant to West Virginia Code 6-9A-4 at 1:45 p.m. It was noted that no official decision made while in executive session.
President Blankenship moved for this Commission to post and advertise that we are now taking applications for a E9-1-1 telecommunicator for the Nicholas/Clay E9-1-1 Center and also for an assistant to the director of the office of emergency services. With applications being picked up here in our office. Commissioner O'Dell seconded the motion. Commissioner Myers voted nay. Commissioner Myers noted for the record he felt the position of E9-1-1 Director and Office of Emergency Service Director should be split. He believed there to be too much work presently in the E9-1-1 office and too much work needing to be done in the emergency service office that one person cannot do both, and would prefer posting of the job of OES director. President Blankenship conveyed by posting an assistant in the office of emergency services would help free up the director to concentrate on matters currently needing addressed. The record reflects two voted yes and 1 vote nay. The proposal submitted by Mr. Beverage has been accepted and will be reviewed to determine what needs to be incorporated into our current plan.

Being no further business to come before the Commission, the Commission hereby adjourned until May 7, 2003.

Tom Blankenship, President

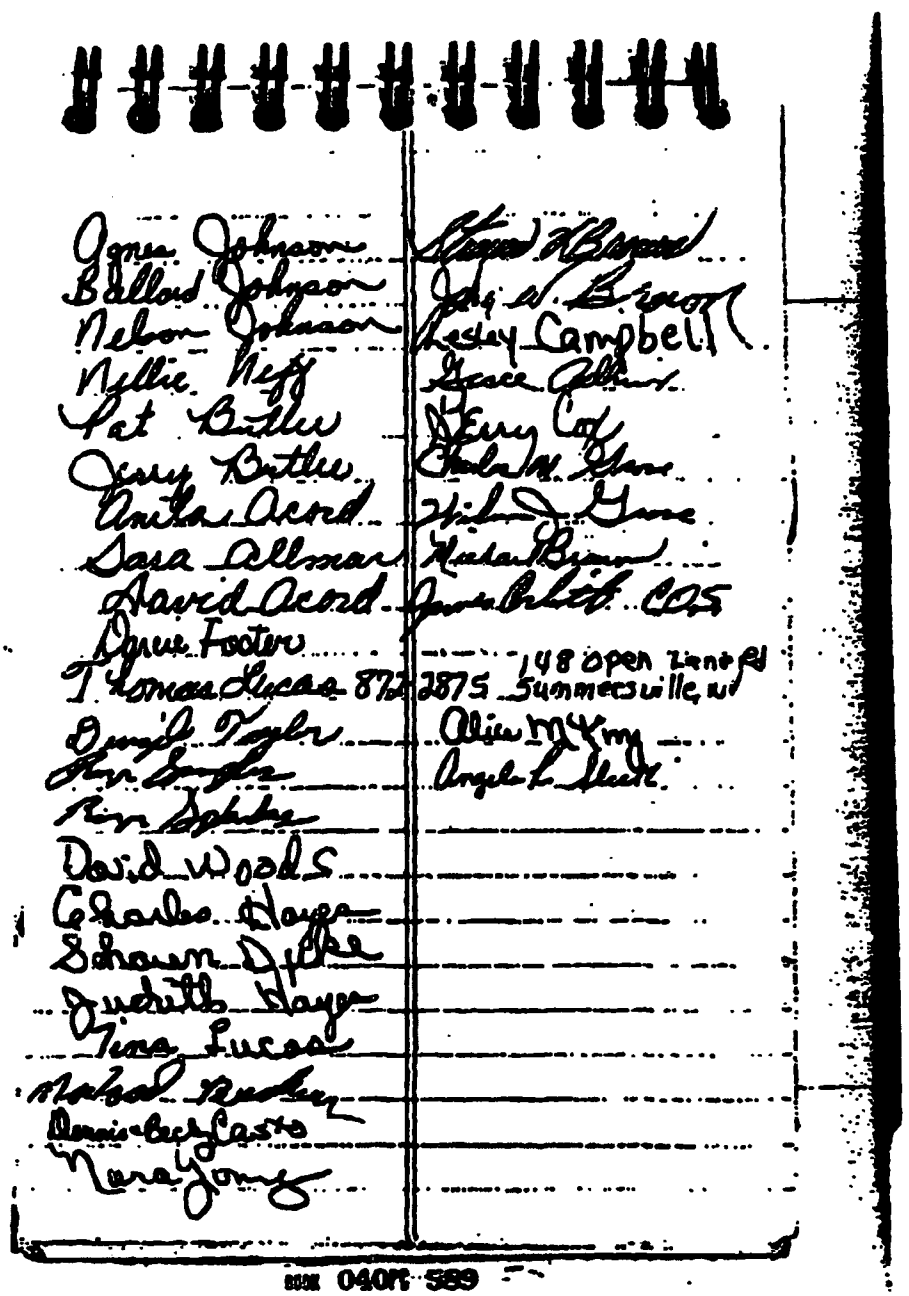
Bill O'Dell, Commissioner

Matt Myers, Commissioner

BOOK 0401 PG 587

BOOK 040 PG 588

LaDonna Adkins	Jay Stewart
Butch Brown	Jay Stewart representing
Bobby Hughes	Vera Shaffer
Beulah Holley	Larry Stewart
Linda Mullins	Elmer Elkins
Sue Woods	[illegible]
Watson & Billie Curry	Roger Miller
Linda D. England	Mary Moore
Jeannette Bow	Angie Bush
Bruce Bow	Dixie Lucas & Bill
Angel Jones	Ronald & Glenn Williams
Jeff Jones	Bonnie & Bobby Canterbury
Mary Elkins	Tina Lucas
Ruth Hall	Chris Good
Timothy A. Smith	Louise Legg
Timothy W. Hinkle	Fred Ball
Carl Johnson	Reggie Spark
Rebecca Johnson	Ralph Arthur
Delbert Johnson	Clarence Lucas
John Adkins	Dan Pierson
Nathaniel Conley	Delbert Johnson
Emma Conley	Norma Brown



Agnes Johnson	[illegible]
Ballard Johnson	[illegible]
Nelson Johnson	Lesley Campbell
Nellie Neff	Grace [illegible]
Pat Butler	Jerry Cox
Jerry Butler	[illegible]
Anita Acord	[illegible]
Sara Allman	[illegible]
David Acord	[illegible] COS
Darrie Foster	
Thomas Lucas 872 2875	148 Open Lane Rd Summersville, WV
[illegible]	Alice McKinney
[illegible]	Angela L. [illegible]
[illegible]	
David Woods	
Charles Hayes	
Shawn Dyke	
Judith Hayes	
Tina Lucas	
[illegible]	
Dennis & Becky Casto	
Nora Young	

NICHOLAS COUNTY COMMISSION
700 MAIN STREET, SUITE 1
SUMMERSVILLE, WEST VIRGINIA 26601
commission@gcswab.net

TOM BLANKENSHIP, President
BIRL O'DELL, Commissioner
MERT MYERS, Commissioner

TELEPHONE: (304) 872-7830
FAX: (304) 872-6682

April 16, 2003

NOTICE OF PUBLIC HEARING
ENLARGEMENT OF GAULEY RIVER PUBLIC SERVICE DISTRICT

NOTICE IS HEREBY GIVEN TO ALL PERSONS RESIDING IN OR OWNING OR HAVING ANY INTEREST IN PROPERTY IN SAID PROPOSED ENLARGED DISTRICT, that the County Commission of Nicholas County on its own Order will conduct a public hearing on the 7 day of May, 2003 at 7:00 o'clock p.m., at the Nicholas County Courthouse, Nicholas County Courtroom - 2nd Floor, Summersville, West Virginia, at which time and place all interested persons may appear before the County Commission of Nicholas County and shall have an opportunity to be heard for and against the enlargement of said public service district as set forth herein.

The lands involved are described as follows:

That the Gauley River Public Service District as described more aptly beginning at a point on the northernmost boundary of the existing Wilderness Public Service District; thence, N 00°00'00" W with the existing boundary 5691 feet; thence N 25°22'36" W with the existing boundary 6214 feet; thence N 73°00'29" W 1186 feet; thence N 57°50'51" E 22861 feet to a point; thence N 78°10'05" E 9017 feet to a point; thence S 42°58'12" E 14902 feet to a point; thence S 00°02'35" W 6975 feet to a point on the corporate boundary of the Town of Summersville and running with that boundary 936 feet and 2562 feet to a point; thence N 78°31'08" W 3186 feet to a point; thence S 75°30'14" W 5620 feet to a point; thence S 27°34'51 W 8770 feet to a point; thence S 00°00'00" E 2098 feet to a point on the existing boundary of the Wilderness Public Service District; thence with the boundary of the Wilderness Public Service District in a westerly direction for a distance of 7374 feet to a point; thence with the boundary of the Wilderness Public Service District in a northerly direction for a distance of 6002 feet to a point; thence with the boundary of the Wilderness Public Service District in a westerly direction for a distance of 13359 feet to the point of beginning.

By Order of the County Commission of Nicholas County, the 16 day of April, 2003.

Nicholas County Commission

By: Tom Blankenship, President
Birl O'Dell, Commissioner
Mert Myers, Commissioner

BK 040PG 625

MINUTES OF THE NICHOLAS COUNTY COMMISSION - MAY 07, 2003

The Nicholas County Commission met in a regular session at the Nicholas County Courthouse Wednesday, May 07, 2003. Present were: President Tom Blankenship, Commissioner Bid O'Dell and Commissioner Mert Myers. Also present: Clerk John Greer

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, exonerations as presented by the Nicholas County Assessor were reviewed and approved.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, invoices were reviewed and approved for payment.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, estate and fiduciary matters were approved as presented by the Nicholas County Clerk.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, minutes from commission meeting April 16, 2003 were reviewed and approved as presented.

Appearing before the Commission - Assessor Ernie Dennison
As a follow up from the April 16 meeting, Mr. Dennison appeared to see if the Commission had come to a decision concerning the Freeport Tax Amendment requested by Georgia Pacific Corporation. It is being noted the Commission received a letter from Evan Thurman, Department of Tax and Revenue dated April 16, 2003. It was the opinion of Mr. Thurman that any error that was made occurred when Georgia Pacific initially filed their property return and that the required documentation for implementation of the Freeport Amendment was erroneously omitted. Assessor Dennison conveyed both he and Mr. Thurman was of the opinion for the Commission to grant the Freeport exemption to Georgia Pacific. Assessor Dennison requested permission to begin the paperwork in making the correction. He noted by not doing so, our books would reflect a false value and this matter should be corrected before the tax tickets come out. Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission approved to make the necessary adjustments by granting the Freeport exemption to Georgia Pacific's inventory and for Assessor Dennison to proceed in correcting the value.

Appearing before the Commission - Wilma Richardson , Chair of the Nicholas County Historic Landmark Commission and Lisa Baker representing the Summersville Heritage Committee
In observance of West Virginia Historic Preservation Week May 10-17, 2003 requested of the Commission to enter a Proclamation. Commissioner Myers for the record read the Proclamation and upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission adopted the Proclamation designating May 10-17, 2003 as West Virginia Historic Preservation Week in Nicholas County. Proclamation attached to be recorded.
It was noted on May 17 beginning at 9:00 a.m. a bus tour to visit some older homes in the area has been planned. The cost is $10.00 per person which will cover lunch at the Cornerstone. On May 10 there will be a Kirkwood tour and Mrs. Richardson noted there was a nice write up in the paper.
It was noted this event is a cooperative effort by the Landmark Commission, Historical Society and Heritage Committee community-wide. Nancy Meadows, a member of the Historical Society was present waiting the next meeting and recognized by Mrs. Richardson.

At 9:30 a.m., a Public Hearing was conducted in the matter of Annexation of 13.80 acres into the City of Summersville Corporate Limits. Present were: Summersville City Recorder Mike Brown, City of Summersville Projects Manager Lisa Baker, and residents Nancy Meadows, Arthur Meadows, Tammy Osborne and Roberta Moore
It is being noted that the Notice of Public Hearing was duly advertised in the local newspaper and posted in five prominent places in the proposed area to be annexed.
President Blankenship opened the floor for public comment and inquired if there was anyone present objecting to this proceeding. Both Tammy Osborne and Roberta Moore conveyed they did not want

BOOK 40% 638

MINUTES OF THE NICHOLAS COUNTY COMMISSION - MAY 07, 2003

to be in the city limits. It was noted the proposed annexation took in three households and some footage from other residents whose properties were split. Mrs. Meadows conveyed when she approached the Town Council, she had only requested her and her husbands property to be included within the city limits and not that of her daughters. Mr. Brown conveyed there was a misunderstanding and Nancy clearly did not ask for the other properties as indicated, but when the description and map was drafted, Mr. Brown noted he failed to recognize the additions as shown. Mrs. Meadows noted she had filed for city councilwoman and had to be a resident of the city thirty days prior to the election. The Commission requested for Prosecutor Keith McMillion to appear and asked him to offer his opinion on this subject matter before we adjourn todays meeting. The Commission tabled this matter until such time as Prosecutor McMillion has had the opportunity to look into this. The Commission advised those present that we would notify them of the outcome.

In the matter of: Estate of Darrell Lee Barnhouse, File No: 6784
Present were: Darrell Glenn Barnhouse, Michael Barnhouse, Jimmy and Kimberly Faith, County Clerk John Greer and Deputy Clerk Betty Griffin
Darrell and Michael Barnhouse appeared seeking to have their sister, Brenda Spencer removed as Administratrix over the estate. Their father who died without a Will left behind a bank account which included Brenda Spencer on his account and the only other assets were two mobile homes as noted in the appraisal, a 1995 and 2003 valued at $15,000. Prior to their fathers death, Jimmy and Kimberly Faith purchased their property from Darrell L. Barnhouse were making payments on the 1995 trailer that was already situated on the property at the time they purchased. Mrs. Faith noted that while there was no written contract to this affect, she had all receipts from payments made signed by the decedent totaling $9,250.00 and owes $750.00. Darrell Barnhouse conveyed this to be true and he has been informed that Brenda intends to sell the trailers. It was noted all heirs approved the appointment of Ms. Spencer at the time of their fathers death. At this point in time Ms. Spencer has done what she is required by law to do and that the appraisal has been filed. The estate is open for claims until June 6. It was noted that Michael Barnhouse underwent the bond of $10,000 at the time Ms. Spencer qualified. President Blankenship conveyed to those present that the Commission cannot advise them as to what to do and for their protection they should consult with an attorney. He also noted to the Faith's they may want to consider filing a lien against the estate for the amount they have invested in the trailer prior to the deadline for filing claims. Prosecutor Keith McMillion later appeared concerning the previous appointment and the Commission asked for his opinion in this matter. Prosecutor McMillion's first impression was that from all appearances it sounded like the administratrix would need to honor this arrangement as being subject to contract. In the event it would be ruled otherwise he was of the opinion the Faith's should file a claim against the estate. The Commission conveyed they would draft a letter to Ms. Spencer to advise her of todays meeting.

Appearing before the Commission - Prosecuting Attorney Keith McMillion
Mr. McMillion appeared to present a code site in conjunction with the annexation proceeding wherein West Virginia Code §8-6-5 states in part "such application shall have attached thereto an accurate map showing the metes and bounds of such additional territory". President Blankenship conveyed that given the circumstances of todays proceeding, the Commission did not have an accurate map and description on file. Upon motion moved by President Blankenship and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission rejected and dismissed the application to annex 13.80 acres into the corporate limits of the City of Summersville due to the discrepancy in the plat description as filed in the City of Summersville's Petition and also based on the fact that two out of three property owners objected to the annexation..

Appearing before the Commission - City of Summersville Recorder Mike Brown, City of Summersville Project Manager Lisa Baker, Jack Stafford and Ed Stout with Stafford Consultants an engineering firm representing the City of Summersville, City of Summersville Attorney Gregory Tucker, and Jimmy James Sitting in: Prosecuting Attorney Keith McMillion, Sheriff David Meadows and Clerk John Greer
City of Summersville officials and representatives appeared to solicit support of the Commission for the City's efforts to obtain funding to put water down Rt. 39. President Blankenship noted that the public hearing concerning Rt. 39 was scheduled for this evening and would be the appropriate time to express their position. Ms. Baker conveyed they realize this and plan to attend the public meeting.

but wanted to come before the Commission to bring the City's position and its plan concerning this matter due to the fact it was to late to be placed on the commissions agenda after their council and voted to proceed. Mr. Tucker did convey that he delivered a letter setting forth the City's position for the public hearing scheduled this evening. He stated in January 2001 the City entered into a letter of intent with the other public service districts and the Commission relating to the area in question. Due to the City's work with the Regional Water Plant to get the source in place first, the City did not pursue this area until recently. He noted the Plant is under construction. The City received a letter from Mr. Deering who is Chair of the Gauley River Public Service District in March 27, 2003 indicating if it was the City's intent to go forward with this project on Rt. 39 that he (Mr. Deering) would support it. At the next council meeting the City agreed to pursue the project. The engineers are in the process of amending their preliminary engineering report, Mr. Tucker is pursuing the legal aspects and the City is actively pursuing this project. Mr. Tucker conveyed it makes economic sense for the City to pursue the project. If Gauley River PSD pursues the project, the water will need to be purchased through the City of Summersville, there will be additional costs for operation of maintenance, additional personnel put on board there and all of that drives the cost of the water up. He noted if there is any further delay, the City intends to pursue the project on its own. It is the City's position they are at least a year ahead in the planning phase and that they can deliver the water quicker and cheaper to the residents of Rt. 39. Mr. Shutt gave a brief overview of the history of regional water plant and the City of Summersville involvement. He conveyed that in 1997 the City of Summersville had requested of them to look at Rt. 39. In 1998 the City filed an application with the West Virginia Infrastructure and Job Development Council. During this time frame Wilderness PSD filed an application for the Nicholas Road Hominy Falls area and Nettie Leivasy PSD filed an application for a minor upgrade to its plant and the City of Summersville was charged with the duty to review outlying areas in terms of interconnections. The Infrastructure Council gave its approval for all to proceed. Based upon further developments, the City of Summersville is now in the position to resubmit its preliminary engineering report sometime in June and is hopeful to hear something back from the Infrastructure Council when they meet in August. In turn this frees up the City to pursue funding entities. The City of Summersville is hopeful to obtain the support of Gauley River PSD and for the County Commission to reaffirm its support. Commissioner Myers inquired if the water expansion would increase the rates for the residents of Summersville and outlying areas to be served. Mr. Shutt conveyed a rate increase has been already approved for January 2004 and another increase in August 2004 has been approved as well. He noted both rate increases deal with the debt of regional plant itself. Discussion turned to Glade Creek Phase II of the City's project to do water line extensions to Phillips Run , a section of Armstrong Rd., Glade Creek, Lower Glade Creek, Main Estates, Silo Knob, Old 19 Muddley, Hookersville, and Spruce Run. It was noted the reason Glade Creek Phase was placed ahead of the Rt. 39 project was due to questions if CAEZ funding would apply to the area. President Blankenship conveyed he would appreciate should the City of Summersville entertain any future water extensions outside of its corporate limits in a public meeting forum, to notify the Commission so it may attend and offer input. President Blankenship thanked everyone for their input and conveyed whatever transpires at tonight's public hearing, that all entities will support the moving forward of this project.

Appearing before the Commission - Greg Bosa representing the Nicholas County Firemens Association

Mr. Bosa appeared on behalf of the Firemens Association and to follow up with some questions as a result of the round table discussion held concerning the office of emergency services. Mr. Bosa noted the recent budget was published and they did not see anything for the fire departments. President Blankenship explained in dealing with outside entities, the Commission waits until the end of the fiscal year to see what the carry over is and then after that time addresses other entities. In regard to the round table discussion, Mr. Bosa conveyed they were very pleased that Roger Beverage took upon himself to get some ideas on how to improve emergency response services in Nicholas County. Mr. Bosa conveyed the fire departments have some questions they have been passing back and forth and have not received any clear response. President Blankenship informed Mr. Bosa of certain steps taken by the Commission to date. He conveyed the Commission is putting a third session in the dispatch center, we have advertised and taking applications for another dispatcher and an assistant to the director of the office of emergency services, the Commission has been in contact with Steve Davis concerning property behind the McClung Annex in order to upgrade our generator source and storage building to house same, also at the LEPC meeting held on May 6 a five person committee was formed to address the highlights on the recommendations noted in Mr. Beverage's report. Mr. Bosa eluded to an executive session held April 16, 2003 before the decision was made in advertising the positions as noted above and inquired if the purpose of the executive session was to discuss the assistant directors position. President Blankenship noted it was a personnel matter that

MINUTES OF THE NICHOLAS COUNTY COMMISSION - MAY 07, 2003

was related to the director. Mr. Bosco conveyed if the Commission is taking affirmation action to review the Directors performance during the ice storm and over the past year. President Blankenship stated the Commission looked at the work load of the office of emergency services and other duties upon him and came to the conclusion an assistant was needed. Mr. Bosco noted several letters seeking the removal of the Director for a variety of reasons and asked if the commission is dealing with that issue. During the executive session with the employee, President Blankenship conveyed several issues were discussed at length, and the Commission felt a change was needed, hence advertising for an assistant. He went on to say the Commission made this decision not because they felt the Director did a bad job during the storm, but that it was one instance where the work was too much for one person. Commissioner Myers conveyed he was in favor of splitting the job of E9-1-1 Director and Director of Emergency Services because one person could not effectively do both and he is still of that opinion. Even though the Commission did not agree to that Commissioner Myers felt confident if the right person was hired as an assistant, the county will come out of this stronger and have good guidelines that everyone can understand and will be able to function better. Commissioner O'Dell conveyed regardless of what anyone says, our current director has a vast knowledge of this office and with his help the assistant coming in could possible be a director in a short period of time. Mr. Bosco conveyed that at the close of the round table he spoke with two dispatchers who attended and inquired if they had been informed of the fire department protocol adopted a few months back and they conveyed to him they were unaware of this. Mr. Bosco noted this instance was a breakdown in management and that the fire departments should not have to go to dispatch to convey procedures which have been acted upon and approved. County addressing was also touched upon and it was a reasonable expectation it should have been completed by now. The Commission touched upon the fact that all rural areas have been address and turned over to the main postal office in Charleston. It was noted everyone's frustration because the postal service has not performed as was promised in past meetings with its representative. In closing, Mr. Bosco conveyed this issue has been discussed since 1998 and concerns and instances have been expressed and in going back to the ice storm he stated the firefighters started at 9:30 on the Sunday morning and when they called the center at 8:00 that evening it was conveyed the Director had went home at 5:00 p.m., and several firefighters were irritated. President Blankenship conveyed to Mr. Bosco that he had better check his sources again because at 10:30 a.m., he was notified and was out by 11:00 a.m., and never went home until sometime Monday evening. Mr. Bosco conveyed the firefighting community has no confidence in the Directors abilities and managerial skills and had hoped to see support from the commission. He conveyed as a citizen of the county he is holding this commission accountable, just like the commission should be holding the director accountable.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission based upon Petition received from residents of Autum View Lane in Craigsville, so moved to change the road name to Marvin Lane.

President Blankenship noted three contractors were contacted to place a bid on some concrete work at the animal shelter, Bailes Construction, Hager Construction and Nicholas Welding & Supply. Two bids were received - Hager Construction at $11,400 and Nicholas Welding at $10,500. Upon motion moved by President Blankenship and seconded by Commissioner Myers, with motion passing unanimously, the Commission awarded the bid to Nicholas Welding.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission appointed Paul Humphreys to the Board of Directors of the Craigsville Public Service District. Mr. Humphreys will fill the unexpired term of Carroll Stalnaker who resigned his position and his term will expire October 5, 2007. Order attached

Upon motion moved by Commissioner Myers and seconded by Commissioner O'Dell, with motion passing unanimously, the Commission agreed to pay overtime worked by Judy Painter before she passed away and the amount owed to her estate is $2,013.15. President Blankenship noted for the record her time sheets reflect hours worked.

Upon motion moved by Commission O'Dell and seconded by Commissioner Myers, with motion passing unanimously, the Commission entered a Resolution authorizing a Local Economic Development Assistance Grant Program Contract with the West Virginia Development Office on behalf of the Wilderness Volunteer Fire Department, Inc., to pay a portion of the cost associated with the purchase of a new fire engine. Resolution attached

Upon motion moved by Commission O'Dell and seconded by Commissioner Myers, with motion

MINUTES OF THE NICHOLAS COUNTY COMMISSION - MAY 07, 2003

passing unanimously, the Commission authorized President Blankenship to execute a Resolution authorizing an application through the West Virginia Division of Natural Resources for a matching fund grant for litter control. Resolution attached

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers, with motion passing unanimously, it was agreed to by the Commission to arrange for a dumpster to be placed at the animal shelter.

Upon motion moved by President Blankenship and seconded by Commissioner Myers, with motion passing unanimously, the Commission recessed its meeting until 7:00 p.m. that evening for a public hearing concerning Gauley River boundary expansion for Rt. 39.

Upon motion moved by Commissioner O'Dell and seconded by Commissioner Myers with motion passing unanimously, the Commission reconvened in regular session.

It is being noted for the record that this public hearing was duly advertised as a Class I legal notice and duly posted as required by statute, to the proposed boundary change of the Gauley River Public Service District, to include certain areas around West Virginia Route 39.
The Attendance Record is herein attached to become an official part of this record.
President Blankenship informed those present that the Commission was approached by Gauley River Public Service District to expand its boundaries from Jarrys Fork to the city limits at which time the Commission entered an Order to conduct this hearing. The Nicholas County Commission opened the hearing to public comment and highlights from the meeting is as follows

- Resident Susana Brown presented petitions in the range of 512 residents conveying that the people living between Jarry Fork and the City Limits of Summersville along and adjacent to State Rt. 39 with communities to include White Water, Gilboa, Zela, and Enon, petition the Nicholas County Commission to permit Gauley River Public Service District to provide water service to these areas. Petitions are herein attached to be made apart of this proceeding.

- Mr. Russell Deering, Chair, Gauley River PSD conveyed he would like to see the people have a voice, to belong within a public service district and be able to attend meetings. With the City of Summersville's Phase II Plan underway to take water to up Rt. 19 North, and noting Gauley River is in the process of putting water up to Jarry's Fork, he believed his district could provide service to the residents along Rt. 39 quicker. Also, he would not be in competition with the City of Summersville for Small Cities Block Grant funding. Mr. Deering conveyed he was dependent upon the City of Summersville's regional water plant as a backup water source.

- City of Summersville Mayor Stanley Adkins conveyed that the City broke ground for its regional water plant January 2003. Upon completion, the water plant will sell the water to any public service district that may be in need. Prior to this time it would have made no difference in placing the pipeline down Rt. 39 because there was no water to give. He conveyed it was immaterial who provides water to the residents, it is a matter of who can get it there the cheapest to the people and quickest. The City has already filed an Infrastructure application and the City will continue on with its plans for Rt. 39 either way.

- Jack Stafford with Stafford Consultants, Inc., representing the City of Summersville conveyed a preliminary study in 1998 was approved for this area by the Infrastructure Council and his firm will resubmit an update study to them by next month (June) as they begin seeking grant funding for this project. They have been instructed by the City to aggressively pursue Rt. 39 and feel they are in a better position and ahead in the process to provide service to the area ahead of Gauley River PSD.

- Commissioner Myers inquired since the City of Summersville has already started would there not be a duplication in effort and a common expense from both the PSD and the City. Mayor Adkins conveyed that some of the items accomplished by their engineer could possibly be used by Gauley River PSD, they would be happy to let them have it and made it clear they are not fighting with the District.

- Gregory A. Tucker, Counsel for the City of Summersville provided a letter dated May 6,

2003 setting forth reasons why it would be inappropriate for the county to extend the boundaries of the Gauley River PSD, a copy which is attached to be made apart of this proceeding. Mr. Tucker noted it would be a terrible duplication of effort in areas of engineering and accounting work to allow both the City and District to continue on, and in knowing the City will be applying for their funding in June. In knowing the City is ready to move forward with this project, and the paperwork involved in projects such as this, Mr. Tucker conveyed he believed the City can provide the water the quickest.

- David Foster, Utility Inspector, Engineering Division of the State of West Virginia Public Service Commission conveyed the issue this evening is a boundary expansion and that the Public Service Commission will not be able to render its opinion until they have something before them. Mr. Foster stated both the City and Gauley River PSD are well managed and operated utilities capable of providing good service to the residents of Rt. 39. In his opinion, the main goal is which one can provide this service the soonest. Regardless of which utility has these customers, the water will be provided by the new regional water plant. He believed the competition between the PSD and City has been good for the residents. In his opinion, if Gauley River PSD is not enlarged, the district will cease its efforts to serve the area residents. As a result, a major incentive for the City would be removed to work as hard as what they have been for this area. If the District's boundary is enlarged and the City is the first to secure the funding, there would be nothing to prevent the City from handling the project. Mayor Adkins disagreed with Mr. Foster by him giving the impression that the City became involved with Rt. 39 because Gauley River PSD initiated an interest. This area was included in the City's regional plan but could not be acted upon until the water plant became a reality.

- Alice King representing Region 4 Planning and Development Office conveyed it made no difference to Region 4 on how the parties wanted to proceed, but stressed she believed if a united front was not displayed, it would send mixed signals to the funding agencies in a negative manner.

- It was agreed by both the City of Summersville and Gauley River Public Service District there is specific funding agencies from which to draw upon, that the resources of these agencies are in great competition with counties and municipalities throughout the State and that each project is looked upon in its own merit.

- It was the consensus of the majority of residents who spoke out at this proceeding to give Gauley River Public Service District the opportunity to provide service to their area.

At the close of the meeting the Commission thanked everyone for coming out and for their input. On motion moved by President Blankenship and seconded by Commissioner O'Dell, the Nicholas County Commission approved the Petition to expand the boundaries of the Gauley River Public Service District and submit it to the Public Service Commission for its approval. When President Blankenship called for any questions on the motion, Commissioner Myers asked Mr. Foster to agree with a statement made in his letter directed to Edward L. Shum, P.E., with Stafford Consultants, Inc., dated May 6, 2003 that if the District's boundary is enlarged and the City is first to secure funding and apply to the Commission for the Certificate of Needs and Necessity, there is nothing to prevent the Commission from allowing the City to serve this area. Mr. Foster stated for the record at least six people within the Public Service Commission to include two directors and two engineers reviewed his letter and concurred with the statement before the letter went out. With that said - motion passed unanimously.
It is being reflected for the minutes that an Order will be prepared.

MINUTES OF THE NICHOLAS COUNTY COMMISSION - MAY 07, 2003

Being no further business to come before the Commission, the Commission hereby adjourned until May 21, 2003.

Tom Blankenship, President

Bill O'Dell, Commissioner

Mary Myers, Commissioner

BOOK 407 643

ATTENDANCE RECORD

RE: PUBLIC HEARING TO CONSIDER THE BOUNDARY EXPANSION OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT - CONDUCTED ON MAY 7, 2003 AT 7:00 P.M., AT THE NICHOLAS COUNTY COURTHOUSE, COURTROOM, IN SUMMERSVILLE AS DULY ADVERTISED AND POSTED.

Judy Ball	
Fred Ball	
Cornell Cogar	
David K. Cogar	
Conrad Brank PSC	
James Carlett	
Fay Stewart	
Bitch Brown	
Lisa Baker City of Smith	
L. L. Brooker W.W.	
Holly Cliff	

BOOK 040PG 600

ATTENDANCE RECORD

RE: PUBLIC HEARING TO CONSIDER THE BOUNDARY EXPANSION OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT - CONDUCTED ON MAY 7, 2003 AT 7:00 P.M., AT THE NICHOLAS COUNTY COURTHOUSE, COURTROOM, IN SUMMERSVILLE AS DULY ADVERTISED AND POSTED.

Jim Adkins COS	
Carol Arthur	
Hawley Run PSD	
C	

ATTENDANCE RECORD

RE: PUBLIC HEARING TO CONSIDER THE BOUNDARY EXPANSION OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT - CONDUCTED ON MAY 7, 2003 AT 7:00 P.M., AT THE NICHOLAS COUNTY COURTHOUSE, COURTROOM, IN SUMMERSVILLE AS DULY ADVERTISED AND POSTED.

Delbert Johnson	
Rebecca Johnson	
Mabin Nibb	
Virginia Nicholas	
Charlie Hood	
Betty Hood	
Charlie Hood Jr	
Aaron Haynes	
Calvin Haynes	
Michael Brown	

BOOK 040 PG 602

ATTENDANCE RECORD

RE: PUBLIC HEARING TO CONSIDER THE BOUNDARY EXPANSION OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT - CONDUCTED ON MAY 7, 2003 AT 7:00 P.M., AT THE NICHOLAS COUNTY COURTHOUSE, COURTROOM, IN SUMMERSVILLE AS DULY ADVERTISED AND POSTED.

[illegible]	
[illegible]	
[illegible]	
Allen L. Nutter	
[illegible]	
Alice M. King	
Anna P. King	
[illegible]	
[illegible]	
Carol Woods	
Genevieve Woods	

ORDER

WHEREAS, pursuant to a Class I legal notice and posted notice as required by statute, a public hearing was held in the matter of the proposed boundary change of the Gauley River Public Service District, to include certain areas around West Virginia Route 39; and,

WHEREAS, said public hearing was conducted on May 7, 2003 at 7:00 p.m., at the Nicholas County Courthouse, 2nd Floor Courtroom in Summersville, West Virginia for the express purpose of public comment on the proposed boundary change; and,

WHEREAS, it is being noted for the purpose of this order that an Attendance Record was maintained due to the large crowd in attendance and is herein attached to become an official part of this record.

The Nicholas County Commission opened the hearing to public comment and let the record reflect the following highlights from the meeting:

- Resident Stuart Brown presented petitions in the range of 512 residents conveying that the people living between Jerry Fork and the City Limits of Summersville along and adjacent to State Rt. 39 with communities to include White Water, Gilboa, Zala, and Enon, petition the Nicholas County Commission to permit Gauley River Public Service District to provide water service to these areas. Petitions are herein attached to be made apart of this proceeding.

- Mr. Russell Dearing, Chair, Gauley River PSD conveyed he would like to see the people have a voice, to belong within a public service district and be able to attend meetings. With the City of Summersville's Phase II Plan underway to take water to up Rt. 19 North, and noting Gauley River is in the process of putting water up to Jerry's Fork, he believed his district could provide service to the residents along Rt. 39 quicker. Also, he would not be in competition with the City of Summersville for Small Cities Block Grant funding. Mr. Dearing conveyed he was dependent upon the City of Summersville's regional water plant as a backup water source.

- City of Summersville Mayor Stanley Adkins conveyed that the City broke ground for its regional water plant January 2003. Upon completion, the water plant will sell the water to any public service district that may be in need. Prior to this time it would have made no difference in placing the pipeline down Rt. 39 because there was no water to give. He conveyed it was immaterial who provides water to the residents, it is a matter of who can get it there the cheapest to the people and quickest. The City has already filed an Infrastructure application and the City will continue on with its plans for Rt. 39 either way.

- Jack Stafford with Stafford Consultants, Inc., representing the City of Summersville conveyed a preliminary study in 1998 was approved for this area by the Infrastructure Council and his firm will resubmit an update study to them by next month (June) as they begin seeking grant funding for this project. They have been instructed by the City to aggressively pursue Rt. 39 and feel they are in a better position and ahead in the process to provide service to the area ahead of Gauley River PSD.

- Commissioner Myers inquired since the City of Summersville has already started would there not be a duplication in effort and a common expense from both the PSD and the City. Mayor Adkins conveyed that some of the items accomplished by their engineer could possibly be used by Gauley River PSD, they would be happy to let them have it and made it clear they are not fighting with the District.

- Gregory A. Tucker, Counsel for the City of Summersville provided a letter dated May 6, 2003 setting forth reasons why it would be inappropriate for the county to extend the boundaries of the Gauley River PSD, a copy which is attached to be made apart of this proceeding. Mr. Tucker noted it would be a terrible duplication of effort in areas of engineering and accounting work to allow both the City and District to continue on, and in

knowing the City will be applying for their funding in June. In knowing the City is ready to move forward with this project, and the paperwork involved in projects such as this, Mr. Tucker conveyed he believed the City can provide the water the quickest.

- David Foster, Utility Inspector, Engineering Division of the State of West Virginia Public Service Commission conveyed the issue this evening is a boundary expansion and that the Public Service Commission will not be able to render its opinion until they have something before them. Mr. Foster stated both the City and Gauley River PSD are well managed and operated utilities capable of providing good service to the residents of Rt. 39. In his opinion, the main goal is which one can provide this service the soonest. Regardless of which utility has these customers, the water will be provided by the new regional water plant. He believed the competition between the PSD and City has been good for the residents. In his opinion, if Gauley River PSD is not enlarged, the district will cease its efforts to serve the area residents. As a result, a major incentive for the City would be removed to work as hard as what they have been for this area. If the District's boundary is enlarged and the City is the first to secure the funding, there would be nothing to prevent the City from handling the project. Mayor Adkins disagreed with Mr. Foster by him giving the impression that the City became involved with Rt. 39 because Gauley River PSD initiated an interest. This area was included in the City's regional plan but could not be acted upon until the water plant became a reality.

- Alice King representing Region 4 Planning and Development Office conveyed it made no difference to Region 4 on how the parties wanted to proceed, but stressed she believed if a united front was not displayed, it would send mixed signals to the funding agencies in a negative manner.

- It was agreed by both the City of Summersville and Gauley River Public Service District there is specific funding agencies from which to draw upon, that the resources of these agencies are in great competition with counties and municipalities throughout the State and that each project is looked upon in its own merit.

- It was the consensus of the majority of residents who spoke out at this proceeding to give Gauley River Public Service District the opportunity to provide service to their area.

Upon motion moved by President Blankenship and seconded by Commissioner O'Dell, the Nicholas County Commission determined it necessary, feasible and proper to expand the boundaries of the Gauley River Public Service District being conducive to the preservation of public health, comfort and convenience of said area; and, herein approve the boundary change and that said documents be forwarded to the Public Service Commission for its approval. When President Blankenship called for any questions on the motion, Commissioner Myers asked Mr. Foster to agree with a statement made in his letter directed to Edward L. Shutt, P.E., with Stafford Consultants, Inc., dated May 6, 2003 that if the District's boundary is enlarged and the City is first to secure funding and apply to the Commission for the Certificate of Needs and Necessity, there is nothing to prevent the Commission from allowing the City to serve this area. Mr. Foster stated for the record at least six people within the Public Service Commission to include two directors and two engineers reviewed his letter and concurred with the statement before the letter went out. The record will reflect that the motion passed unanimously.

THEREFORE, the following revised boundary change was so ORDERED by the Nicholas County Commission:

That the Gauley River Public Service District as described more aptly, BEGINNING at a point on the northernmost boundary of the existing Wilderness Public Service District; thence, N

00°00'00" W with the existing boundary 5691 feet; thence N 25°22'36" W with the existing boundary 6214 feet; thence N 73°00'29" W 1186 feet; thence N 57°50'51" E 22861 feet to a point; thence N 78°10'05" E 9017 feet to a point; thence S 42°58'12" E 14902 feet to a point; thence S 00°02'35" W 6975 feet to a point on the corporate boundary of the Town of Summersville and running with that boundary 936 feet and 2562 feet to a point; thence N 78°31'08" W 3186 feet to a point; thence S 75°30'14" W 5620 feet to a point; thence S 27°34'51 W 8770 feet to a point; thence S 00°00'00" E 2098 feet to a point on the existing boundary of the Wilderness Public Service District; thence with the boundary of the Wilderness Public Service District in a westerly direction for a distance of 7374 feet to a point; thence with the boundary of the Wilderness Public Service District in a northerly direction for a distance of 6002 feet to a point; thence with the boundary of the Wilderness Public Service District in a westerly direction for a distance of 13359 feet to the point of beginning, and shown on the attached map to this Order to be made part of the same.

All of which is accordingly so Ordered.

NICHOLAS COUNTY COMMISSION:

Tom Blankenship, President

Bird O'Dell, Commissioner

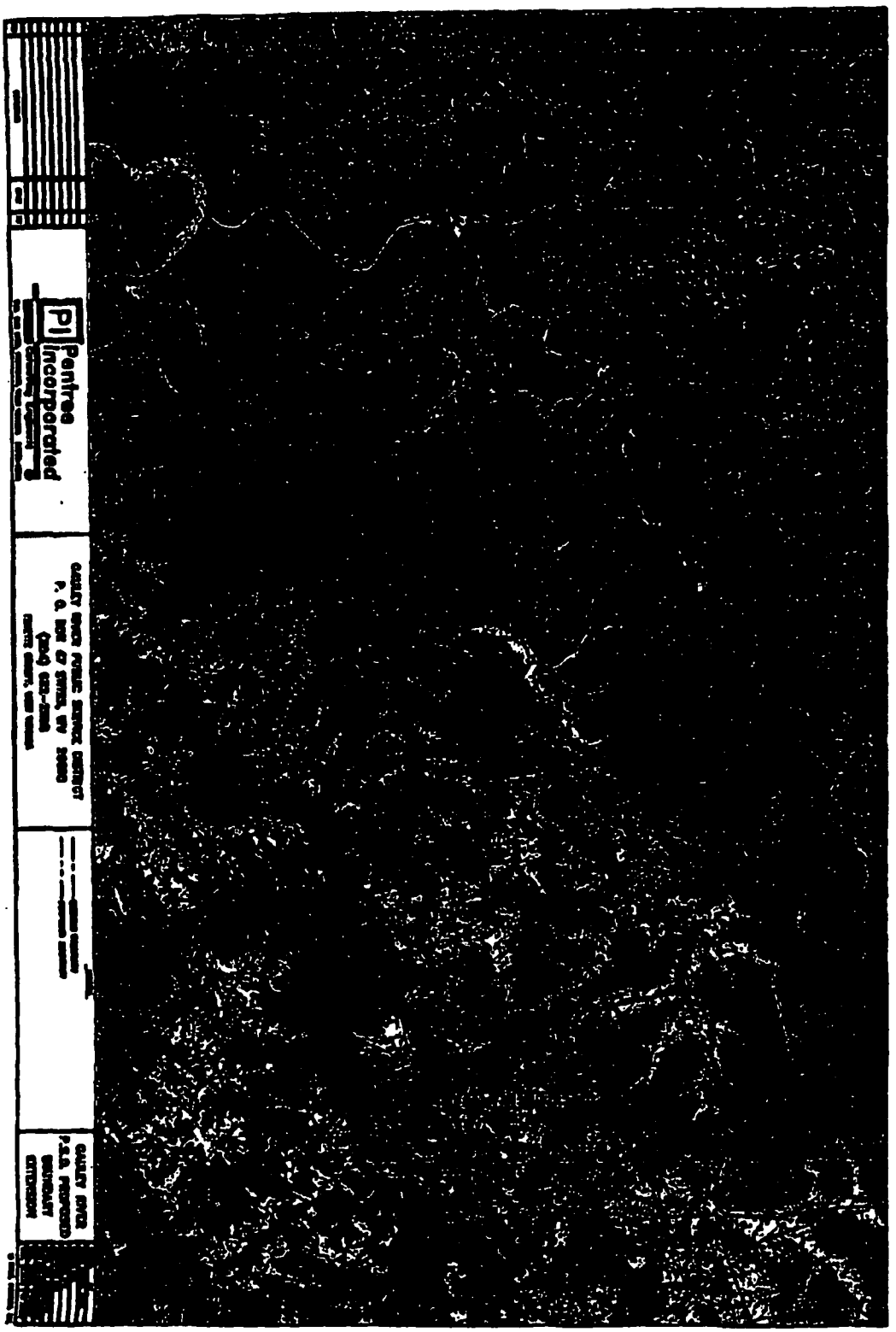
Mert Myers, Commissioner

ATTEST:

Janet Greer, County Clerk

BOOK 0407 597

BOOK 040ft 598



030744alj121003.wpd

PUBLIC SERVICE COMMISSION

OF WEST VIRGINIA

CHARLESTON

Entered: December 10, 2003

CASE NO. 03-0744-PWD-PC

NICHOLAS COUNTY COMMISSION
Petition for consent and approval of the enlargement of the boundaries of Gauley River Public Service District.

RECOMMENDED DECISION

On May 16, 2003, the Nicholas County Commission (County Commission) filed an Order with the Public Service Commission enlarging the boundaries of the Gauley River Public Service District (Gauley River PSD), in accordance with the provisions of West Virginia Code §16-13A-2.

On June 24, 2003, Staff Attorney Cecelia Jarrell filed an Initial and Final Joint Staff Memorandum, to which was attached the Initial and Final Internal Memorandum prepared by Karen L. Buckley, Utilities Analyst II, Water and Wastewater Division. The enlargement relates only to water authority for Gauley River PSD. At the public hearing conducted by the County Commission, the City of Summersville (Summersville) appeared in opposition to the boundary expansion for the District. Summersville wants to serve the area proposed in the enlargement and has taken steps to pursue funding for a project to serve the expansion area. At that public hearing, several area residents appeared and spoke in favor of the boundary enlargement and allowing the District to provide service to the expansion area. Over the objection of Summersville, the County Commission voted to enlarge the Gauley River PSD boundaries as proposed. Since the Nicholas County Commission has satisfied the requirements of West Virginia Code §16-13A-2, and the expansion will not infringe upon any other existing water utility in the area, Staff recommended approval of the Nicholas County Commission's petition to expand the boundaries of the District.

On June 6, 2003, the City of Summersville petitioned to intervene in these proceedings.

By Order dated July 2, 2003, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before December 12, 2003.

By Order dated September 4, 2003, this matter was set for a hearing to be held in Nicholas County, in accordance with the provisions of West Virginia Code §16-13A-2, on October 6, 2003. Said Order required the Nicholas County Commission to publish a Notice of Hearing in

Nicholas County.

The hearing was held as scheduled. The County Commission appeared by its counsel, Keith W. McMillion, Esquire. Summersville appeared by its counsel, Gregory A. Tucker, Esquire. Gauley River PSD appeared by its counsel, Mr. Mark E. Kauffelt, Esquire, and Commission Staff was represented by Cecelia G. Jarrell, Esquire. At the hearing, a proper affidavit of publication was provided reflecting that publication of the Notice of Hearing had been made in accordance with the Commission's requirements.

Briefs were filed by the City of Summersville and the Nicholas County Commission and a reply brief was filed by the Gauley River Public Service District.

EVIDENCE PRESENTED

_ . Mr. Thomas Blankenship has been President of the Nicholas County Commission for five years. Overall, he has been on the County Commission for seven years. At the County Commission hearing on April 16, 2003, Mr. Deering, President of the Gauley River Public Service District, appeared, expressing interest in the enlargement of Gauley River PSD. The County Commission then decided to go ahead and enlarge Gauley River PSD's boundary lines. It held a public hearing on May 7, 2003. Notice of that hearing was given on April 24, 2003. At the hearing held by the County Commission, a majority of the residents from the proposed area appeared. Also presented was a petition containing approximately 500 signatures of residents and customers' names requesting that the boundary line be extended. At the May 7, 2003 hearing, the County Commission listened to numerous individuals, including Messrs. Strom Brown; Russell Deering; Stanley Adkins, the Mayor of Summersville; Jack Stafford, with Stafford Consultants; Gregory Tucker, with Summersville; David Foster, a Utility Inspector with the Public Service Commission; and Ms. Alice King, with Region IV Planning Development. (Tr., p. 14). After the County Commission heard the testimony, a motion was made to enlarge Gauley River

PSD and it was approved. (Tr., p. 14; Nicholas County Commission Order filed May 16, 2003).

During the time that Mr. Blankenship has been on the County Commission, Gauley River PSD has requested three boundary extensions for projects coming up State Route 39. It has always completed these extensions without difficulty. (Tr., p. 15). Summersville is currently pursuing other water projects going north up Route 41, at Glade Creek, Phillips Run and up Muglee area, plus it is building its new regional water plant at the present time. (Tr., p. 14). It was the County Commission's hope that, with Gauley River PSD's record of moving quickly, the Gauley River PSD could be able to complete the extension by the time the Summersville Regional Water Plant is completed. (Tr., p. 17).

The prime interest of the County Commission is to provide water to this area as quickly and cheaply as possible; it is not concerned particularly with who provides the water. (Tr., p. 19). The County Commission believed that, considering Gauley River PSD's record in the past and since Summersville was generally concentrating its expansion efforts in another area, Gauley River PSD could do it quicker. Prior to the hearing, Mr. Blankenship was approached by Mr. Deering, Chairman of Gauley River PSD, and residents of the area. Mr. Deering expressed the District's willingness to proceed with the job as quickly as he could. Approximately 100 persons

attended the County Commission meeting held on May 7, 2003. No one living in the area of the expansion was against the project. Summersville did appear at the hearing to object, indicating that it wanted to provide water in that particular area of Nicholas County. (Tr., p. 23). The area of the expansion is State Route 39 West, going to Gauley Bridge from the City of Summersville city limits down to Jerry's Fork, encompassing approximately 600 customers. (Tr., p. 24). The County Commission considered the time factor in determining whether to grant the extension to Gauley River PSD or wait for Summersville to proceed. Although there was a timing difference of only a couple of months, the County Commission believed that Gauley River PSD could get water to the people first, based upon the evidence presented at the hearing. (Tr., p. 24).

Currently, there is no water in the area between Jerry's Fork and Summersville. (Tr., p. 26). The office of Gauley River PSD is in Swiss, Nicholas County. Gauley River PSD does not have a water plant of its own, but buys its water. The water for the project would come from the Summersville regional water plant. (Tr., p. 31). In a letter of intent prepared in January 2001, the County Commission and Summersville, along with the Wilderness Public Service District, Gauley River PSD and the Region IV Planning and Development Council, recognized the need for a safe and reliable potable water system to serve the communities west of the City of Summersville, along State Route 39, and agreed to work to

this end in a cooperative manner to provide such regional water service to the benefit of all. (Tr., p. 32; Summersville Exhibit No. 1). Things changed when the residents approached the County Commission and wanted things done. Gauley River PSD indicated its interest to expand, while Summersville had experienced delays in obtaining permission from the Corps of Engineers to obtain water from Summersville Lake, which delayed its regional water plant. (Tr., p. 35).

Mr. Stanley Adkins is Mayor of Summersville. As Mayor, he became involved in the Route 39 expansion project. He had a meeting with the interested parties in the area, because Summersville was in the process of building its regional water plant and was interested in obtaining an intergovernmental agreement between all the parties that are interested in regional water planning, including public service districts and cities, which would indicate which areas were to be served by which provider. At the time that it signed the letter of intent, Summersville did not have water to sell and was only marginally able to produce water for its own customers. (Tr., p. 46; Summersville Exhibit No. 1).

The original concept for the State Route 39 extension was for Summersville to sell the water and it would apply for grants as soon as the water plant was in place. After Summersville finally got approval from the Corps of Engineers to withdraw water from the Summersville Lake, construction on the regional water plant began about a year ago. It has a completion date of approximately September 2004. Although residents need the water at this time, Summersville has no water to sell to any residents down Route 39. (Tr., p. 48). Although Summersville is involved with an extension into the Glade Creek/Phillip's Run area, it can handle more than one project at a time. Mr. Adkins indicated that he had talked with Mr. Deering who thought that there might be another source of money through the Central Appalachian Enterprise Zone (CAEZ), but this project wouldn't qualify.

In a letter received from Mr. Deering in March 2003, Gauley River PSD indicated that, if Summersville was willing to invest its water service resources in this area, Gauley River PSD would fully support its efforts. (Tr., p. 50; Summersville Exhibit No. 3). At the next

Summersville Council meeting, a motion was made to move forward with the Route 39 water extension project and approach the County Commission about a joint endeavor. (Tr., p. 52). Summersville continued with its State Route 39 Project, even after the petition was filed by the County Commission for the enlargement of the Gauley River PSD's boundaries. (Tr., p. 53). An application was submitted to the West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) and has been approved by the Infrastructure Council to fund this project, which will cost approximately $7,337,000. (Tr., p. 53). Summersville is presently waiting for the project to be funded. The Infrastructure

Council in its approval recommended that Summersville also pursue a Small Cities Block Grant Drinking Water Treatment Revolving Fund Loan to fund the project. (Tr., p. 54). Between January 2000 and June 2003, Summersville had not made applications for funding for anything else for this particular project. (Tr., pp. 59-60). Summersville is asking for $2 million in grants from the Appalachian Regional Council (ARC) and $3 million in a Small Cities Block Grant for the Glade Creek Phase II Project. (Tr., p. 63).

If the boundary expansion of the Nicholas County Commission does not prevent Summersville from pursuing its State Route 39 Project, then Summersville would not be injured. Summersville has already paid for one of its engineering studies done by Stafford Engineers. (Tr., p. 75). Mr. Adkins was not aware of how much was paid. If Gauley River PSD is allowed to pursue its expansion, then Summerville's program and engineering study would be useless. Mr. Adkins indicated that, when the regional water plant was started, it began as a $6 million project and has now increased to approximately $11 million. Summersville has an alternate source of water for the Glade Creek Project and an approved inter-governmental agreement with the Craigsville Public Service District, which has a 16-inch interconnection line. There is not yet a source of water available for the Route 39 Project. (Tr., p. 81). Summersville's objective is to get the water to these people the best way possible. (Tr., p. 83).

Ms. Gidget Deal lives in Enin. She brought a container to the hearing containing water from her well, which is her only water supply. The water had the color of weak tea. Ms. Deal will not drink the water. (Tr., p. 85). Approximately five years ago, there was a meeting with Summersville about bringing water to the area and it was indicated that the water would be there in about three years. Her daughter, who also lives in the area, has water that is orange in color. She did not care who provided water, as long as it is done quickly. (Tr., p. 88).

Ms. Betty Good lives in Gilboa. Her water is so bad that, when she washes dishes, the water is, in her words, "disgusting." Her daughter had a kidney transplant and could not come home since they did not have any water. (Tr., p. 89). A well is her source of water and it is worse than that of Ms. Deal's. Besides an awful odor, it is hard on the body. Ms. Good showed rashes on her hands. The water from the well is always bad. (Tr., p. 90).

Ms. Nova White lives in Enin. She has been trying to get water into that area since she was a teenager. (Tr., p. 91).

Mr. Edward Shutt is Vice President of Stafford Consultants, Incorporated, and is the engineer for Summersville. He has been the

engineer on the regional water plant and also the Glade Creek Phase II Project. Phase I of that project is now completed. The water for Phase I is provided through an intergovernmental

agreement between the Nicholas County Commission, the City of Summersville and the Craigsville Public Service District, and comes from the Craigsville Public Service District plant on the Gauley River. The Glade Creek Phase II Project is to get its water through the Phase I distribution lines. Public interest surveys showed that residents in the area definitely have a need for water. (Tr., p. 106). After a discussion with Randy Plum, Mr. Shutt was advised that RUS could not allocate the CAEZ funds to the projects from Jerry's Fork to Summersville. The only delay was to verify if CAEZ funds might be available. After the meeting on April 14, 2003, when the council learned about the CAEZ money, it voted to proceed, authorizing him to do a preliminary engineering report. (Tr., p. 110). Mr. Shutt updated the preliminary engineering report and submitted it for approval to the Infrastructure Council on June 19, 2003. Summersville has applied for ARC funds. (Tr., p. 130).

Summersville's funding of its Glade Creek Phase II Project would have no impact on the State Route 39 funding. If Gauley River PSD submits a competing package, it is going to create confusion and delay, based on his experience. (Tr., p. 112). If Summersville and Gauley River PSD both go ahead, Gauley River PSD may have access to more funds than Summersville, unless the Empowerment Zone is changed and to give Summersville access to these funds. (Tr., p. 116). Mr. Shutt indicated that he had another experience concerning competing applications in 1998 when applications from different groups in Nicholas County went to the Infrastructure Council within ninety days and the Infrastructure Council indicated that they needed to be consolidated. (Tr., p. 123). Mr. Shutt opined that the best solution is for Summersville, the public service districts and the County Commission to cooperate and get behind this project and work for the benefit of the people rather than creating conflict. Based upon the direction and emphasis that the Summersville's City Council has put on the project, he thinks that Summersville could provide the water faster. (Tr., p. 124). Summersville's resale rate will be one of the considerations in determining what the rate for Gauley River PSD will be. Because the project is a good project, if he worked on it, he would guarantee that it would receive the necessary funding. (Tr., p. 129).

The Small Cities Block Grant application has not yet been filed because the County Commission is not yet eligible to file until this expansion is approved. The ARC Grant application has been filed. A high cost per customer for a project can hurt its chances for funding, since the funding agencies consider the rate as one of the factors in determining its viability. (Tr., p. 134). The $44.26 rate proposed by Summersville and which is contained in the preliminary application is the

rate that the people outside of Summersville would pay, including the customers in Glade Creek Phase I, and it is also projected for Glade Creek Phase II. Mr. Shutt indicated that, if approval of the County Commission's expansion would not affect Summersville's right to serve State Route 39, this expansion would not delay the steps that Summersville is taking to pursue its project. (Tr., p. 151). The rate of $44.28 is a projected rate based on 4,500 gallons usage and was included in the certificate case for the water treatment plant expansion, not to go into effect until 2004. (Tr., p. 164). Stafford Consultants, Incorporated, prepared and filed the application with the Infrastructure Council even after the action by the County Commission, because the Summersville City Council had directed him to do so and it was in the contract. (Tr., p. 173).

Ms. Shawn Brown lives in Whitewater and would like to have water. Three years before she was asked by Robert Hilary, an employee of Summersville, to do a survey down State Route 39,

to see how many customers were interested in water. She turned in the names of over 600 customers who were interested, but she has not heard anything back about that project since then. (Tr., p. 180). In August of 2002, she attended a meeting of Gauley River PSD and asked Mr. Deering if he could do anything to get water to the Route 39 area. Ms. Brown observed that, recently, more has been done toward getting water than in the last twenty to twenty-five years. She did not really care who brought her water, depending upon the price. She would want water at the cheapest price possible. (Tr., p. 180).

Mr. John W. Tuggle is a Professional Engineer and Vice President of Pentree, Incorporated. Pentree, Incorporated (Pentree), is an engineering consulting firm in Princeton, West Virginia, involved in water and sewer projects. It has been employed by Gauley River PSD and prepared Gauley River PSD Exhibit No. 1, maps showing the existing public service district and the proposed extension to go to the Summersville corporate limits. The existing boundaries of the public service district on that exhibit are in red. The expansion is outlined in blue. (Tr., p. 186; Gauley River PSD Exhibit No. 1). Gauley River PSD had 200 customers in 1980. It did its first extension project along Route 16 and added 300 customers. (Tr., p. 187).

Another project was undertaken in 1990 along Route 39 toward the communities of Jody and Swiss, which added approximately 260 additional customers. There have also been some other small projects along Route 39 past Swiss that picked up 60 more customers. The source of the water for Gauley River PSD is the Kanawha Falls PSD. The Kanawha Falls PSD water plant is located on the Gauley River. The numerous expansion projects of Gauley River PSD have taken it up the Gauley River. There is another project in the works to expand between Swiss and Jerry's Fork to serve an

additional 150 customers. This project is to begin construction next year. With the completion of this project, Gauley River PSD will complete water service from the Kanawha River basically all the way up to Summersville. (Tr., p.190). Having reviewed the preliminary application of Summersville for its State Route 39 Project, he opined that the $7.3 million projected cost is not unreasonable. (Tr., p. 190). No work has been started on Gauley River PSD's project from the Summersville city limits to Jerry's Fork. (Tr., p. 191). In 2000, Gauley River PSD met with Summersville and, from this, the Jerry's Fork Project was conceived, using Empowerment Zone money; then the District began to investigate going all the way up to Summersville for customers, not knowing that Summersville was coming the other way. It was agreed that, with Summersville coming down to Jerry's Fork, Gauley River PSD would just serve up to Jerry's Fork. (Tr., p. 193).

Mr. Tuggle attended a Summersville City Council meeting with Mr. Deering because he had indicated that Gauley River PSD would try to serve the area, obtaining water from the Summersville Regional Plant. (Tr., p. 195). At that meeting, it appeared that the Summersville City Council was in favor of Gauley River PSD proceeding, but no final decision was made at that meeting. At the next Council meeting, Mr. Deering and he were informed that the Summersville City Council had a project in the works and there was no need for Gauley River PSD to extend to Summersville. (Tr., p. 195). There is a minimum of two years time to apply for and obtain funding and start construction. The District has not yet developed any rates for this project. Currently, its rate for 4,500 gallons is around $30.00, but this rate does not include the costs to finance this proposed project to Jerry's Fork. (Tr., p. 200).

Gauley River PSD has only one bulk customer, the Mt. Olive Correctional Facility. All other customers are residential and are charged the same rate. Kanawha Falls has advised Gauley River PSD that it has no excess capacity to provide to the District. (Tr., p. 205).

The District currently has three individuals to maintain its present system. In the past, Gauley River PSD has had no more than the usual difficulty in funding its projects. If additional sources of water become available, there may be an extension into the Belle Creek area serving 40 customers. If the State Route 39 extension were built, Gauley River PSD would have to add additional employees to handle the additional maintenance created. The overall operation of Gauley River PSD is above average. Mr. Tuggle opined that waiting until February to apply for funding would not significantly delay RUS funding. By applying before the middle of the year, the District would be within the RUS ground rules for funding. (Tr., p. 214).

The District could apply for a waiver of the Chapter 5G Code approval process for hiring an engineer because of the experience that Pentree has had with Gauley River PSD. However, the Public Service Commission does not usually approve these applications. (Tr., pp. 214- 215). There can be no final determination of the rate until the bulk rate to be charged by Summersville is determined. The public service district will have a unified rate. He understands that, if Summersville were to build the Route 39 extension, these customers would be charged a different rate than the customers in the municipal boundaries of Summersville. (Tr., p. 216).

Mr. Russell Deering has been Chairman of Gauley River Public Service District for 23 years. Gauley River PSD has been operating a water system in the Gauley River area. He is in favor of the boundary extension for his district. In August 2002, Mr. Brown, a customer of Gauley River PSD, asked the District about extending water up to the school house at Jerry's Fork. At that time, it was explained that Gauley River PSD did not have the water to supply that extension until the Summersville Regional Plant came on line.

There is a project in the works to take water to Jerry's Fork, on which construction will begin soon. (Tr., p. 221). Mayor Adkins of Summersville is the accountant for Gauley River PSD. At one point, Mr. Adkins was asked if Summersville might be interested in bringing water out of Summersville to serve this area. (Tr., p. 221). The District does not oppose Summersville providing water in that area. (Tr., p. 224).

Mr. Deering indicated that, if Summersville could tell him that it could get funding and show that it is able to provide water to the citizens along State Route 39 as cheap as Gauley River PSD, or cheaper, then he would tell Summersville that State Route 39 was Summersville's project. (Tr., p. 225). Until then, the District wants the option to pursue its project. Gauley River PSD, at this point, cannot seek funding until the boundaries are set, which requires this expansion. (Tr., p. 225).

If Summersville were to propose a project comparable to what the Gauley River PSD plans to do, it would not cause any problems. In September 2003, Mr. Deering met with individuals from RUSDA and discussed the Route 39 Project. Although he had not filed an application, funding was discussed. RUS appeared interested and indicated that it would be glad to do the project funding. The District has had a very good relationship with RUS. (Tr., p. 226).

RUS suggested to Gauley River PSD a finance package of 65% grant and 35% loan money.

(Tr., p. 226). Mr. Deering believed the rate is going

to be $32.29, but the Board had been looking at a $34.00 per month rate, per 4,500 gallons. RUS was concerned with the $34.00 rate, considering the income base of the customers in the area. (Tr., p. 227). Gauley River PSD supports the expansion of its boundaries for two reasons. The first is to get water to the people and the second is because Gauley River PSD needs a backup for its water system. Mr. Deering has had no discussions with Summersville about the bulk rate that Summersville will charge from its regional water plant. (Tr., p. 228). Unless the regional water plant is built, there is no water for the State Route 39 Project. (Tr., p. 233). He is also aware that construction on the water plant started in December 2002. Summersville's action on April 14, 2003, authorized its State Route 39 expansion. After he had attended the first Summersville City Council meeting, it was determined that the District would file with the County Commission for a boundary change. (Tr., p. 235). If Gauley River PSD had a major repair cost, it would be able to handle this repair through money sources available to it. (Tr., p. 241).

Ms. Karen Buckley, Utilities Analyst, Water and Wastewater Division, prepared the Initial and Final Internal Memorandum in this case, recommending that the boundary extension be approved. Ms. Buckley indicated that, in reviewing these cases, she looks to West Virginia Code §16-13A-2 to see if the Nicholas County Commission had met all the requirements of the Code and she did not analyze the case further. (Tr., p. 249). Since the County Commission felt the boundaries should be expanded, it was Staff's recommendation that the boundaries be expanded since proper notice had been given by the County Commission. (Tr., p. 251).

Mr. James Weimer is a Commission Engineer reviewing complaints, certificate projects, rate cases and other cases involving utilities throughout the State. When the Legal Division requested that an engineer be involved in this case, he was assigned. He reviewed the filings of Summersville and Gauley River PSD, and looked at their Infrastructure applications. (Tr., p. 254). He also reviewed the engineering costs, rates, proposed rates, etc., in the service areas that would be involved and any of the issues that would affect the ability of the County Commission to proceed with this boundary expansion. Since there is a need for water, Mr. Weimer opined that an alternative for the Summersville project is needed because of the high rates that have been proposed by Summersville and it would be wise for the boundary expansion to occur. (Tr., p. 255).

In rural area expansions, it is preferred that extensions such as this be done by a public service district, since the Public Service Commission has more control over the rates and maintenance and other areas, as opposed to municipalities. (Tr., p. 258). The State Route 39 Project is a rural-type project. Typically, in a public service

district, the debt service is distributed among all of the existing customers. He explained that RUS is a rate-oriented lender and has become unsure of projects with high rates. Particularly, in rural areas, it likes to keep the rates as low as possible. (Tr., p. 264). In his experience, there is nothing sure about receiving funding until it is actually obtained. (Tr., p. 269). Mr. Weimer believes that Gauley River PSD can provide water at a lower rate. The actual rates to be charged will depend upon the bulk rate of Summersville. (Tr., p. 273). The Public Service Commission will be involved in setting the rates for both Summersville and Gauley River PSD. (Tr., p. 277). With the testimony of Mr. Weimer, no further evidence was presented in this matter and it was submitted for a decision. (Tr., p. 277).

DISCUSSION

This case began as a boundary expansion Order filed by the Nicholas County Commission to enlarge the boundaries of the Gauley River Public Service District to enable it to provide water service to numerous customers along State Route 39 in Nicholas County. Currently, this area is without a good water supply. The residents must rely on well water that is discolored and smelly. This case became more complex when the City of Summersville intervened. All of the parties are in agreement that this area must be provided with good water. The dispute is whether the water should be provided by a project undertaken by the Gauley River Public Service District, in accordance with this boundary expansion, or the City of Summersville.

The Nicholas County Commission, in arriving at its decision to use the Gauley River Public Service District as the vehicle for the project, did all of the things required by West Virginia Code §16-13A-2.

It appears that neither the City of Summersville nor the Gauley River Public Service District will have the amount of water needed to supply this project until the Summersville Regional Water Plant is completed in 2004.

A great deal of evidence was presented by engineers for both parties as to who could get the project done faster and secure the adequate funding for the project.

It cannot be ignored that, based on the testimony at the hearing in this case, Gauley River PSD will have access to more low-cost or grant funding than will Summersville and that the rates likely to be charged by Gauley River PSD will be significantly lower than the rates proposed by Summersville. The rate disparity between in-town and out-of-town customers proposed by Summersville will also be problematic.

To the undersigned Administrative Law Judge, it appears that the Gauley River Public Service District has completed successfully many other such projects, which was a consideration of the Nicholas County Commission in arriving at its decision. Since the County Commission is the party that had hearings and evaluated the evidence presented by the witnesses, unless there has been some violation of West Virginia Code §16-13A-2 or a Commission rule or regulation concerning this project, this Administrative Law Judge does not feel he should substitute his judgment for that of the members of the Nicholas County Commission who have been elected to carry out such duties. Therefore, the Order of the Nicholas County Commission enlarging the boundaries of the Gauley River Public Service District should be approved, which will enable the Gauley River Public Service District to begin planning the project and make application for funding. The bottom line to guide this case is the suggestion made by Mr. Shutt that all the entities should cooperate in getting the job done and not create problems in getting water to the residents along State Route 39.

It should be noted that approval of the boundary expansion in no way determines who will ultimately serve this area. All this expansion does is provide the Gauley River PSD with the opportunity to go forward with its own plans, just as Summersville is doing. The decision on who will be the utility for this area will be made within the context of one or more certificate proceedings before the Public Service Commission, and, to a lesser extent, by the various funding agencies.

FINDINGS OF FACT

1. The Nicholas County Commission filed an Order enlarging the boundaries of the Gauley River Public Service District, in accordance with the provisions of West Virginia Code §16-13A-2, to provide water to 512 customers along State Route 39 in Nicholas County. (See, application filed May 16, 2003; Summersville Exhibit No. 2).

2. Staff recommended approval of the expansion. (See, Initial and Final Joint Staff Memorandum filed June 24, 2003; Tr., pp. 248-249, 255).

3. The Nicholas County Commission held hearings and heard testimony from residents of the area to be served along State Route 39 and decided that the Gauley River Public Service District could get water to the area faster. (See, Nicholas County Commission Order dated May 16, 2003; Tr., p. 12).

4. Water for the State Route 39 expansion will come from the Summersville Regional Water Plant. (See, Tr., pp. 31, 224).

5. The Zela Grade School is the only grade school in Nicholas County and does not have a water supply, but must use bottled water. (See, Tr., p. 181).

6. Mr. Brown, Ms. Deel and Ms. Good live in the area of the expansion and support the expansion in order to get a good usable water supply. (See, Tr., pp. 178, 184, 188).

7. The rates for the Gauley River PSD project probably will be lower than the rates which Summersville would have to charge to serve the same customers. (See, Tr., p. 224).

CONCLUSIONS OF LAW

1. Under the provisions of West Virginia Code §16-13A-2, the Nicholas County Commission has the authority to enlarge public service districts, with approval by the Public Service Commission in accordance with its rules and regulations.

2. Since the Nicholas County Commission's Order enlarging the boundaries of the Gauley River Public Service District conforms to the Public Service Commission's rules and regulations; is in accordance with the Code; is recommended for approval by Commission Staff; and is supported by the evidence received at the hearing, the Order of the Nicholas County Commission, filed on May 16, 2003, to enlarge the boundaries of the Gauley River Public Service District, should be approved.

ORDER

IT IS, THEREFORE, ORDERED that the Order of the Nicholas County Commission, dated May 7, 2003, enlarging the boundaries of the Gauley River Public Service District, in accordance with the provisions of West Virginia Code §16-13A-2, be, and the same hereby is, approved.

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

requested.

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

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

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until ap proved 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.

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

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

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

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

Robert W. Glass

Administrative Law Judge

RWG:pst
030744aa.wpd

030744coma022504.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 25th day of February, 2004.

CASE NO. 03-0744-PWD-PC

NICHOLAS COUNTY COMMISSION
Petition for consent and approval of the enlargement of the boundaries of Gauley River Public Service District.

COMMISSION ORDER

On May 16, 2003, the Nicholas County Commission (County Commission) filed an Order with the Public Service Commission enlarging the boundaries of the Gauley River Public Service District (Gauley River PSD), in accordance with the provisions of West Virginia Code § 16-13A-2.

On June 24, 2003, Staff filed an Initial and Final Joint Staff Memorandum recommending approval of the Nicholas County Commission's petition to expand the boundaries of the District.

On June 6, 2003, the City of Summersville petitioned to intervene in these proceedings.

By Order dated July 2, 2003, this matter was referred to the Division of Administrative Law Judges (ALJ) for a decision to be rendered on or before December 12, 2003.

A hearing was held in this matter on October 6, 2003. The County Commission, the City of Summersville, the Gauley River PSD, and Staff were all present and represented by counsel.

Briefs were filed by the City of Summersville and the Nicholas County Commission and a reply brief was filed by the Gauley River PSD.

The assigned ALJ entered a Recommended Decision on December 10, 2003, approving the Order of the Nicholas County Commission which enlarged the boundaries of the Gualey River Public Service District.

Exceptions were filed by the City of Summersville on December 19, 2003.

The Gauley River PSD filed a "Response of Gauley River Public Service District to Exceptions of the City of Summersville" on December 29, 2003.

On February 11, 2004, counsel for the Gauley River PSD filed a letter indicating that the

City of Summersville planned to withdraw its exceptions.

On February 13, 2004, the Commission received the City of Summersville's "Motion to Withdraw Objections to Decision of Administrative Law Judge." In its motion the City of Summersville stated that it no longer wished to contest the findings of the ALJ and agreed to be bound by the findings therein.

DISCUSSION

As the City of Summersville has withdrawn its exceptions to the ALJ's Recommended Decision, the Commission shall adopt the ALJ's Recommended Decision as the final order in this proceeding.

FINDING OF FACT

The City of Summersville filed and then withdrew exceptions to the ALJ's December 10, 2003, Recommended Decision.

CONCLUSION OF LAW

It is reasonable to adopt the ALJ's December 10, 2003, Recommended Decision as the Commission's final order in this proceeding.

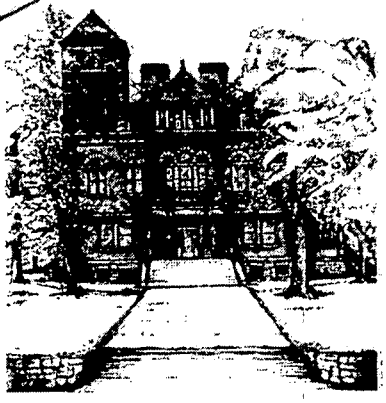
ORDER

IT IS THEREFORE ORDERED that the ALJ's December 10, 2004, Recommended Decision is hereby adopted as the Commission's final order in this case.

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 upon Commission Staff by hand delivery.

ARC
JJW/lfg
030744ca.wpd



FAYETTE COUNTY COMMISSION

FAYETTEVILLE, WV 25840-0307
TELEPHONE (304) 574-4290
FAX (304) 574-4255

JOHN H. LOPEZ
SMITHERS, WV
COMMISSIONER

MATTHEW D. WENDER
OAK HILL, WV
PRESIDENT

DENISE A. SCALPH
FAYETTEVILLE, WV
COMMISSIONER

DEBORAH A. BERRY
ADMINISTRATOR

January 9, 2012

Mr. Russell G. Deering, Member
Gauley River Public Service District
Post Office Box 47
Swiss, West Virginia 26690

Dear Russell:

Thank you for accepting the appointment of you to serve as a member of the Gauley River Public Service District a term of office ending December 31, 2017. Enclosed is the Constitutionally required Oath of Office which you must take, sign, and date before the Clerk of the Fayette County Commission as soon as possible. If you prefer, you may appear before a notary public to take the oath and return the signed, dated and notarized oath to this office.

We appreciate your willingness to serve.

Sincerely yours,

Matthew D. Wender, President

John H. Lopez, Commissioner

Denise A. Scalph, Commissioner

FCC:jch

Enclosures

FAYETTE COUNTY COMMISSION

On this the 17th day of January, 2014, it appearing to the Commission that the term of office of Mary Sue Gray, as a Commissioner of the Gauley River Public Service District expired on the 31st day of December, 2013, it is hereby ordered that Mary Sue Gray be and she is hereby reappointed as Commissioner of said Gauley River Public Service District Board as and of January 1, 2014, to serve for and during a period of six years, said term to expire December 31, 2020.

Denise A. Scalph, President

John H. Lopez, Commissioner

Matthew D. Wender, Commissioner

FAYETTE COUNTY COMMISSION

On this the 12th day of February, 2010, it appearing to the Commission that the term of office of Teddie Ellictt, as a Commissioner of the Gauley River Public Service District expired on the 31st day of December, 2009, it is hereby ordered that Teddie Elliott be and he is hereby reappointed as Commissioner of said Gauley River Public Service District Board as and of January 1, 2010, to serve for and during a period of six years, said term to expire December 31, 2015.

Kenneth L. Eskew, President

John H. Lopez, Commissioner

Matthew D. Wender, Commissioner

OFFICIAL OATH OF OFFICE

STATE OF WEST VIRGINIA,
COUNTY OF FAYETTE, SS:

I, Teddie B. Elliott, do solemnly swear that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Secretary, in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

12-29-03
Date

Teddie B Elliott
Signature

Taken, sworn to and subscribed to before me this 29TH day of DECEMBER, 2003 by Romona L. Tuggle.

My Commission expires April 26, 2010.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
ROMONA L. TUGGLE
STATE ROUTE 16
P. O. BOX 339
DIXIE, WV 25059-0339
My commission expires April 26, 2010

Romona L. Tuggle
Notary Public

OFFICIAL OATH OF OFFICE

STATE OF WEST VIRGINIA,
COUNTY OF FAYETTE, SS:

I, Sue Gray, do solemnly swear that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Gauley River PSD - Treasurer, in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

March 22, 2002
Date

Sue Gray
Signature

Taken, sworn to and subscribed to before me this 22nd day of March, 2002 by Romona H. Skaggs.

My Commission expires April 26, 2010.

Romona H. Skaggs
Notary Public

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
Romona H. Skaggs
State Route 16
P.O. Box 368
Clear, WV 25033-0368
My commission expires April 26, 2010

OFFICIAL OATH OF OFFICE

STATE OF WEST VIRGINIA,
COUNTY OF FAYETTE, SS:

I, Russell G. Deering, do solemnly swear that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Commissioner, in and for the County of Fayette, West Virginia, to the best of my skill and judgment: **SO HELP ME GOD.**

1/11/06
Date

Russell G Deering
Signature

Taken, sworn to and subscribed to before me this 11th day of January, 2006 by Juanita P. Phillips.

My Commission expires Dec 16, 2015.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
JUANITA P. PHILLIPS
P. O. BOX 189
ODSE, WV 25099
My commission expires December 16, 2015

Juanita P. Phillips
Notary Public

RULES OF PROCEDURE

GAULEY RIVER PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. The name of this Public Service District shall be GAULEY RIVER PUBLIC SERVICE DISTRICT (the "District").

Section 2. The principal office of the District will be located in Swiss, West Virginia.

Section 3. The official seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Gauley River Public Service District, and in the center "seal" as follows:

Section 4. The fiscal year of the District shall begin on the 1st day of July in each year and shall end on June 30 of the following year.

ARTICLE II

PURPOSE

Section 1. The District is organized and operated exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of the District (the "Board") shall be those persons appointed by The County Commission of Fayette County, West Virginia (the "County Commission"), 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 District 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 District 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.

Section 3. The District shall provide to the Public Service Commission of West Virginia, within 30 days of the appointment, the following information: the new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board, and such other information required under the Act.

Section 4. Each board member shall, within 6 months of taking office, successfully complete the training program established and administered by the Public Service Commission of West Virginia in conjunction with the West Virginia Department of Environmental Protection and the West Virginia Bureau for Public Health.

Section 5. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the District, nor shall a former board member be hired by the District in any capacity within a minimum of 12 months after such board member's term has expired or after such board member has resigned from the Board.

Section 6. Salaries of the board members shall be established as provided in Chapter 16, Article 13A, Section 4 of the Act. The District shall certify the number of customers served to the Public Service Commission of West Virginia on the first day of July each year. Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties.

Section 7. The members of the Board are not personally liable or responsible for any obligations of the District or the Board but are answerable only for willful misconduct in the performance of their duties.

ARTICLE IV

MEETINGS OF THE BOARD

Section 1. The members of the Board shall hold regular monthly meetings on such days of each month and at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Board may be called at any time by the Chairperson or by a quorum of the Board.

Section 2. At any meeting of the Board, a majority of the members of the Board shall constitute a quorum. Each member of the Board shall have one vote at any meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise waived, notice to members of regular meetings shall be by letter or telephone. Unless otherwise waived, notice to members of each special meeting shall be by letter or telephone not less than 72 hours 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 at such meeting, and no business other than that stated in the notice shall be transacted at such special meeting.

Section 4. Pursuant to Chapter 6, Article 9A, Section 3 of the Code of West Virginia, 1931, as amended, 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 as follows:

Rule No. 1. Notice of Regularly Scheduled Meetings. Immediately after adoption of these Rules of Procedure and in July of each year thereafter, the Board shall instruct the Secretary to, and the Secretary shall, post, and leave posted throughout the year to which it applies, at the regular meeting place of the Board and at the Fayette County Courthouse, where notices customarily are posted, a notice setting forth the date, time and place of the Board's regularly scheduled meetings for the ensuing year. In addition, a copy of the agenda for each regularly scheduled meeting shall also be posted at the same location by the Secretary not less than 72 hours before such regular meeting is to be held.

The Board shall also instruct the Secretary to, and the Secretary shall, distribute to each of the newspapers and other news media listed below a notice identical to that posted

News Media	Address
Fayette Tribune	P.O. Box 139 Oak Hill, WV 25901
The Nicholas Chronicle	P.O. Box 503 Summersville, WV 26651
Clay County Free Press	P.O. Box 180 Clay, WV 25043

A notice shall be considered distributed to a news medium when it has been addressed to such news medium at the address listed above, or at such other address as the news medium has in writing requested be used, marked or stamped with first class postage and deposited in the United States mail. In July of each year after the adoption of these Rules of Procedure, the Board shall review the above list and shall amend such list as needed, in the opinion of the Board, to reflect properly all the newspapers and other news media that customarily cover news of the area served by the Board. In addition, a copy of the agenda for each regularly scheduled meeting shall also be distributed to the news media by the Secretary not less than 72 hours before such regular meeting is to be held.

In the event of any modification to the date, time, place or agenda of a regularly scheduled meeting of the Board, notice of such modification shall immediately be given to the public and news media by posting at the places and distributing to the news media in the manner set forth above not less than 48 hours before such regular meeting is to be held. A copy of the notice of such modification shall be attached to and made a part of the minutes of the meeting for which such notice was given.

Rule No. 2. Notice of Special Meetings. Not less than 72 hours prior to the date set for any special meeting of the Board, the Board shall instruct the Secretary to, and the Secretary shall, post at the regular meeting place of the Board and at the Fayette County Courthouse, where notices customarily are posted, a notice setting forth the date, time, place and purpose or purposes of such special meeting. Business at such special meeting shall be limited to the purpose or purposes specified in said notice.

As soon as practical after the posting of said notice, but not less than 72 hours prior to the date set for such special meeting, the Secretary shall distribute to each of the newspapers and other news media listed in Rule No. 1 hereof, a notice identical to that posted. Amendments made to such news media list, as provided for in said Rule No. 1, shall be incorporated by reference in this Rule No. 2. A notice shall be considered distributed to a news medium when it has been addressed to such news medium at the address listed in said

Rule No. 1, or at such other address as the news medium has in writing requested be used, marked or stamped with first class postage and deposited in the United States mail.

A copy of such notice posted and distributed pursuant to this Rule No. 2 shall be attached to and made a part of the minutes of the meeting for which such notice was given.

Rule No. 3. Emergency Meetings. The Board may hold a meeting without providing the notice to the public and news media required by Rule No. 1 and Rule No. 2 hereof only in the event of an emergency requiring immediate official action. The existence for such an emergency requiring immediate official action shall be determined by the Board and shall be attested to in a certificate by the Secretary describing such emergency and setting forth the reason or reasons immediate official action is required, which certificate shall be attached to and made a part of the minutes of such emergency meeting.

Rule No. 4. Executive Sessions. The Board may hold an executive session during a regular, special or emergency meeting in accordance with Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended. During the open portion of the meeting, prior to convening an executive session, the Chairperson shall identify the authorization under Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended, for holding the executive session and present it to the Board and to the general public, but no decision may be made in the executive session. An executive session may be held only upon a majority affirmative vote of the Board members present. The Board may hold an executive session and exclude the public only when a closed session is required for any of the actions permitted under Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended.

Rule No. 5. Minutes. The Board shall provide for the preparation of written minutes of all of its meetings. Subject to the exceptions set forth in Chapter 6, Article 9A, Section 4 of the Code of West Virginia, 1931, as amended, minutes of all meetings except minutes of executive sessions, if any are taken, shall be available to the public within a reasonable time after the meeting and shall include, at least, the following information:

(1) The date, time and place of the meeting;
(2) The name of each Board member present and absent;
(3) All motions, proposals, resolutions, orders, ordinances and measures proposed, the name of the person proposing the same and their disposition; and
(4) The results of all votes and, upon the request of a Board member, the vote of each Board member, by name.

Rule No. 6. No Actions by Reference. Except as otherwise expressly provided by law, the Board may not deliberate, vote, or otherwise take official action upon any matter by reference to a letter, number or other designation or other secret device or method, which may render it difficult for persons attending a meeting to understand what is being deliberated, voted or acted upon. However, this rule does not prohibit the Board from deliberating, voting or otherwise taking action by reference to an agenda, if copies of the agenda, sufficiently worded to enable the public to understand what is being deliberated, voted or acted upon, are available for public inspection at the meeting. The Board may not vote by secret or written ballot.

Rule No. 7. Broadcasting of Meetings. Except as otherwise provided in this rule, any radio or television station is entitled to broadcast all or any part of a Board meeting required to be open. The Board may regulate the placement and use of equipment necessary for broadcasting, photographing, filming or recording a meeting, so as to prevent undue interference with the meeting. The Board shall allow the equipment to be placed within the meeting room in such a way as to permit its intended use, and the ordinary use of the equipment may not be declared to constitute undue interference; provided, that if the Board, in good faith, determines that the size of the meeting room is such that all the members of the public present and the equipment and personnel necessary for broadcasting, photographing, filming and tape-recording the meeting cannot be accommodated in the meeting room without unduly interfering with the meeting and an adequate alternative meeting room is not readily available, then the Board, acting in good faith and consistent with the purposes of this rule, may require the pooling of the equipment and the personnel operating it.

Rule No. 8. Telephonic Meetings. Board meetings may be held by telephone conference or other electronic means. All Board members participating by telephone or other electronic means must be audible to all those personally present.

Section 5. All meetings of any committee of the Board shall be subject to the Rules of Procedure set forth in Section 4 above.

ARTICLE V

OFFICERS

Section 1. The officers of the Board shall be a Chairperson, Secretary and Treasurer. The Chairperson shall be elected from the members of the Board. The Secretary and Treasurer need not be members of the Board.

Section 2. The officers of the Board shall be elected each year by the members at the first meeting after the first day of January of each 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 Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the next annual organizational meeting of the Board when their successors shall be elected as hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairperson shall preside as Chairperson at all meetings of the Board. The Chairperson shall, together with the Secretary, sign the minutes of all meetings at which the Chairperson shall preside. The Chairperson shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon the Chairperson by the Board, by these Rules of Procedure, or prescribed by law. The Chairperson shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements, or other documents 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. If the Chairperson is absent from any meeting, the remaining members of the Board shall select a temporary chairperson.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. Duplicate records shall be filed with the County Commission and shall include the minutes of all Board meetings. The Secretary shall, together with the Chairperson, sign the minutes of the meetings at which the Secretary is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other documents and papers of the Board. The Secretary shall also perform such other duties as may be required of the Secretary by law or as may be conferred upon the Secretary from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out 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 the Treasurer 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. The Treasurer shall keep and preserve all financial records of the District for 10 years and shall at all times have such records readily available for public inspection. At the end of the Treasurer's term of office, the Treasurer shall promptly deliver all financial records of the District to the Treasurer's successor in office. The Treasurer shall also perform such other duties as may be required of the Treasurer by law or as may be conferred upon the Treasurer from time to time by the members of the Board. The Treasurer

shall furnish bond in an amount to be fixed by the Board for the use and benefit of the District.

Section 5. No money may be paid out by the District except upon an order signed by the Chairperson and Secretary, or such other person or persons authorized by the Chairperson or the Secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the Board.

Section 6. The members and officers of the Board shall make available to the County Commission, at all times, all of its books and records pertaining to the District's operation, finances and affairs, for inspection and audit.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

Section 1. These Rules of Procedure may be altered, changed, amended or added to at any regular or special meeting of the Board when a quorum is present and a majority of those present vote for the alteration, change, amendment or addition; but no such alteration, change, amendment or addition shall be made at any special meeting unless notice of the intention to propose such alteration, change, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such special meeting.

Adopted this 31st day of October, 2005.

Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of the Rules of Procedure duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on October 31, 2005.

Dated this 2nd day of November, 2005.

[SEAL]

Secretary

10/27/05
004046/00312

December 12, 2013

The Gauley River Public Service District met in its regular meeting on Thursday, December 12, 2013 at 10:00 a.m. in the office of the District at Swiss, WV.

Present for today's meeting were: Russell Deering, Chairman; Ted Elliott, Secretary; Sue Gray, Treasurer; Juanita Phillips, Office Manager; Tammy Jones, Office Assistant; James McGraw, Field Manager; Dale Truman, Field Assistant; Anthony Brown and Jonathan Carpenter, Engineers, Pentree, Inc.; no members of the public were present.

Ted Elliott made a motion to approve the November 14, 2013 minutes as presented, seconded by Sue Gray. The vote was 3 ayes and no nays.

Sue Gray made a motion to pay the District Bills, seconded by Ted Elliott. The vote was 3 ayes and no nays.

Ted Elliott made a motion to reappoint Mary Sue Gray to the District Board, seconded by Russell Deering. The vote was 2 ayes and Sue Gray abstained from voting.

Ted Elliott made a motion to leave the District Board officers as is, seconded by Sue Gray. The vote was 3 ayes and no nays.

The second phase of the Summersville Project is continuing along Rt. 39 until all money is used. Approximately $60,000 remains in the funding. Anthony Brown presented a draw for Phase II in the amount of:

Pentree Inc.		9,634.24
FAMCO		45,759.28
	TOTAL	55,393.52

Sue Gray made a motion to approve the draw, seconded by Ted Elliott. The vote was 3 ayes and no nays.

The certificate of necessity and convenience for Phase III has been issued by the Public Service Commission. Approximately 6 more right-of-ways and the Preliminary Title is needed before the project can be bid.

Ted Elliott made a motion to change the office hours to 8 a.m. – 4 p.m. beginning January 1, 2014, seconded by Sue Gray. The vote was 3 ayes and no nays.

Anthony Brown left a message with FAMCO to fix Strawn Brown's service line, which is exposed in the creek crossing.

Ted Elliott made a motion to take a break at 10:30 a.m. to conduct the Engineering interviews for the Bridge Fork/Rock Camp proposed project, seconded by Sue Gray. The vote was 3 ayes and no nays.

The meeting was resumed at 11:50 a.m., and the decision for Engineers will be made and announced at the January 9, 2014.

With no further business to come before this meeting, Sue Gray made a motion to adjourn, seconded by Sue Gray. The vote was 3 ayes and no nays.

Russell H Deering Jr Chair
Commissioner

Commissioner

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
12/29/2013

Entered: December 9, 2013

CASE NO. 13-1119-PWD-CN

GAULEY RIVER PUBLIC SERVICE DISTRICT,
a public utility, Swiss, Nicholas County.

Application for a certificate of convenience and necessity to construct the third phase of a main extension project to extend water service from the Zela area to the intersection of West Virginia Route 19/21 (Jerry Fork)

RECOMMENDED DECISION

This Order grants the District's application for a certificate of convenience and necessity; approves the project's financing; and approves Staff's recommended rates upon substantial completion of the project.

PROCEDURE

On July 26, 2013, the Gauley River Public Service District (District) filed an application for a certificate of convenience and necessity for Phase III of a project to construct extensions of existing water distribution infrastructure from the terminus of the Phase II extensions in the Zela area of Nicholas County to connect with existing District facilities and for approval of project financing. The District proposed a 7.43% increase in revenues with increased rates due to the project to become effective upon substantial completion of the project.

On August 20, 2013, the District filed affidavits of publication reflecting that the Notice of Filing was published in Clay, Fayette and Nicholas Counties.

On August 23, 2013, Staff filed its first data requests to the District.

On August 23, 2013, Staff Attorney Lisa L. Wansley filed the Initial Joint Staff Memorandum to which was attached the August 20, 2013 Utilities and Engineering Divisions' Initial Memorandum prepared by John Harper, Utilities Analyst, Utilities Division, and Jim Spurlock, Engineering Division. Staff reported on the District's filing. Estimated cost of construction for Phase III of the project will be $2,187,000 and proposed funding is to come from a United States Department of Agriculture Rural Utilities Service (RUS) loan for $1,240,000 (with

a term of 40 years and 3.75% interest rate), an RUS grant for $460,630 and an RUS grant for $486,370. Funding letters were included with the filing. The District requested a 7.43% increase in revenues over the revenues proposed in the District's Case No. 13-1040-PWD-19A. Staff would file timely final recommendations upon completion of its review of the proposed project.

On September 13, 2013, the District filed responses to Staff's first data requests.

On October 24, 2013, Staff Attorney Wansley filed the Final Joint Staff Memorandum to which was attached the October 24, 2013 Utilities and Engineering Divisions' Final Recommendation prepared by Mr. Harper and Mr. Spurlock. Phase III of the project will extend service to approximately 58 customers, of which 45 had signed up for service. Residents in the project area are currently served by private wells which contain high levels of iron and manganese. Many residents haul water from outside sources for household use. Phase III will connect with Phase II in the Zela area and extend down Route 39, tying into the District's existing system at the intersection of Route 39 and Route 19/21.

Construction for Phase III will consist of approximately 11,000 feet of 8-inch, 14,700 feet of 6-inch and 6,300 feet of 2-inch water mains, ten (10) fire hydrants and necessary valves, meters and appurtenances. The total project cost is $2,187,000, resulting in a cost per new customer of $48,600. Although this is a rather high cost per new customer, the project is over 40% grant funded. The cost estimate is reasonable for the scope of construction. Operation and maintenance expenses are expected to increase by $17,892 due to the project which Staff opined was reasonable.

The State Office of Environmental Health Services issued Permit No. 19,152 for the project. Staff's review of the plans and specifications did not reveal any conflicts with the Commission's rules and regulations.

Other pro forma adjustments include a $32,783 increase in principal payments and a $24,217 increase in interest payments due to the District's new debt. Staff recommended, due to this project, an additional 4.74% above the rates recommended in Case No. 13-1040-PWD-19A, which gave the District a surplus of $34,793 and bond coverage of 115.11%. The additional 4.74% above the rates recommended in Case No. 13-1040-PWD-19A would generate $58,847 more in revenue than the recommended 19A rates generate. The District's proposed rates would result in a surplus of $165,169 and 137% debt coverage after completion of the project. The Staff-recommended rates would result in a $37,353 surplus and 115.04% debt coverage after completion of the project, which satisfies the 115% debt service coverage requirement.

The current leak adjustment rate is $4.26 per 1,000 gallons. The calculated leak adjustment rate is $4.31 per 1,000 gallons. The monthly bill for the average usage of 2,900 gallons for the District's residential customers will be $39.15 under the Staff-recommended rates, which is an increase of $3.99, or 11.35%, from the District's current rates. The monthly bill for the average usage of 3,100 gallons for the District's commercial customers will be $40.37 under the Staff-recommended rates, which is an increase of $4.12, or 11.35%, from the District's current rates. The monthly bill for the average usage of 18,100 gallons for the District's industrial

customers will be $207.61 under the Staff-recommended rates, which is an increase of $21.13, or 11.33%, from the District's current rates. The monthly bill for the average usage of 431,100 gallons for the District's public authority customers will be $4,256.57 under the Staff-recommended rates, which is an increase of $434.28, or 11.36%, from the District's current rates.

Staff recommended that, pursuant to W. Va. Code §24-2-11 and §16-13A-25, the District's application for a certificate of convenience and necessity to construct Phase III of its main extension project, at a cost of $2,187,000, be approved. Approval of the certificate application should include project financing consisting of the following: the United States Department of Agriculture Rural Utilities Service loan in the amount of $1,240,000 at 3.75% interest for a term of 40 years; an RUS grant in the amount of $460,630; and an RUS grant in the amount of $486,370. Staff also recommended that its rates be implemented upon completion of the project.

By Procedural Order dated October 28, 2013, the District was required to immediately publish a Revised Notice of Filing.

By Procedural Order dated November 4, 2013, the District was required to file an affidavit with the Commission that reflected that separate notice was completed to each of its customers.

On November 6, 2013, the District filed a letter in which it attached a Certificate of Separate Mailing of Notice to Customers of Change in Tariff that was filed by the District on October 17, 2013, in Case No. 13-1040-PWD-19A. The District requested that the individual customer notice that it issued to its customers in the 19A case result in the District's substantial compliance with the separate notice requirement in the instant case.

On November 14, 2013, the District filed a certificate of publication from the Clay County Free Press, which reflected that the Revised Notice of Filing was published on November 6, 2013; the affidavit of publication from The Fayette-Tribune, which reflected that the Revised Notice of Filing was published on November 4, 2013; and the certificate of publication from The Nicholas Chronicle, which reflected that the Revised Notice of Filing was published on November 7, 2013.

As of the date of this Order, no protests have been filed in this matter. Additionally, the District has not objected to Staff's Final Joint Staff Memorandum.

DISCUSSION

The instant project proposes to bring water service to a currently unserved area where there are water quality and quantity problems. Residents in the project area are currently served by private wells which contain high levels of iron and manganese. Many residents haul water from outside sources for household use. Staff opined that the project shows necessity. It is reasonable to conclude that the public convenience and necessity require the issuance of a certificate of convenience and necessity to extend water service to the approximately 58 customers in this area. Additionally, this phase of construction will connect with the Phase II

construction in the Zela area and extend down Route 39, tying into the District's existing system at the intersection of Route 39 and Route 19/21.

The District's request that the separate notice provided in Case No. 13-1040-PWD-19A be accepted as substantial compliance with the separate notice requirement in the instant case should be approved. By postcard bills mailed on September 30, 2013, separate notice was given to the District's customers which are the same customers in both cases. In the instant case, separate notice was required to be made within thirty (30) days of the date of the July 30, 2013 Order. The difference in dates on which rate increase details would be available (July 26, 2013, versus October 28, 2013) is insignificant during the pendency of the proceedings and should not result in the delay of this certificate proceeding. The undersigned believes that the District has substantially complied with separate notice in the instant proceeding.

FINDINGS OF FACT

1. On July 26, 2013, the Gauley River Public Service District filed an application for a certificate of convenience and necessity for Phase III of a project to construct extensions of existing water distribution infrastructure from the terminus of the Phase II extensions in the Zela area of Nicholas County in order to connect with existing District facilities. The District also requested approval of project financing and a rate increase to support costs associated with the project. (See, filing dated July 26, 2013).

2. The District submitted the following: a certificate of publication which reflected that the Revised Notice of Filing had been published on November 6, 2013, in the Clay County Free Press, a qualified newspaper, published and of general circulation in Clay County; an affidavit of publication which reflected that the Revised Notice of Filing had been published on November 4, 2013, in The Fayette-Tribune, a qualified newspaper, published and of general circulation in Fayette County; and a certificate of publication which reflected that the Revised Notice of Filing was published on November 7, 2013, in The Nicholas Chronicle, a qualified newspaper, published and of general circulation in Nicholas County. (See, filing dated November 14, 2013).

3. The separate mailing requirement to the District's non-resale customers was substantially met through the District's separate notice provided to the District's customers on September 30, 2013 bills regarding Case No. 13-1040-PWD-19A. (See, filing dated November 6, 2013).

4. As of the date of this Order, no protests have been filed and the District has not objected to Staff's final recommendations. (See, case file generally).

5. The project will provide water service for up to fifty-eight (58) new water customers who currently have water quality and quantity issues. (See, Staff Report filed October 24, 2013).

6. Commission Staff recommended, *inter alia*, pursuant to W. Va. Code §24-2-11 and §16-13A-25, the Gauley River Public Service District's application for a certificate of convenience and necessity to construct Phase III of its main extension project, in the amount of $2,187,000, be approved. Commission Staff also recommended approval of the project's financing consisting of the following: the United States Department of Agriculture Rural Utilities Service loan in the amount of $1,240,000, at 3.75% interest for a term of 40 years; an RUS grant in the amount of $460,630; and an RUS grant in the amount of $486,370. Staff recommended that its rates be implemented upon completion of the project. (See, Final Joint Staff Memorandum and attachment filed October 24, 2013).

7. The monthly bill for the average usage of 2,900 gallons for the District's residential customers will be $39.15 under the Staff-recommended rates, which is an increase of $3.99, or 11.35%, from the District's current rates. The monthly bill for the average usage of 3,100 gallons for the District's commercial customers will be $40.37 under the Staff-recommended rates, which is an increase of $4.12, or 11.35%, from the District's current rates. The monthly bill for the average usage of 18,100 gallons for the District's industrial customers will be $207.61 under the Staff-recommended rates, which is an increase of $21.13, or 11.33%, from the District's current rates. The monthly bill for the average usage of 431,100 gallons for the District's public authority customers will be $4,256.57 under the Staff-recommended rates, which is an increase of $434.28, or 11.36%, from the District's current rates. (See, Staff Report filed October 24, 2013).

8. Staff-recommended rates result in an additional 4.74% increase above the rates recommended in Case No. 13-1040-PWD-19A and result in a $37,353 surplus and 115.4% debt service coverage after completion of the project. The District's debt service coverage requirement is 115%. (See, Staff Report filed October 24, 2013).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the issuance of a certificate of convenience and necessity to the Gauley River Public Service District for the construction of the third phase of a main extension project to extend water service from the Zela area to the intersection of Route 19/21. Approval is contingent upon the filing of any outstanding permits and clearances.

2. It is reasonable to approve the financing for the project which consists of a United States Department of Agriculture Rural Utilities Service loan in the amount of $1,240,000 at 3.75% interest for a term of 40 years; an RUS grant in the amount of $460,630; and an RUS grant in the amount of $486,370.

3. The Staff-recommended rates, attached hereto as Appendix A, are sufficient, but not more than sufficient, to cover the District's operation and maintenance expenses, taxes other than income taxes, debt service requirements and routine capital additions, including the additional expenses in debt service requirements generated by the project certificated herein. Accordingly, the Staff-recommended rates should be approved to become effective for all

service rendered by the District on and after the date of substantial completion of the project certificated herein.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity filed herein on July 26, 2013, by the Gauley River Public Service District for the construction of the third phase of a main extension project to extend water service from the Zela area to the intersection of Route 19/21, and to add up to fifty-eight (58) new customers, be, and hereby is, granted, without specifically approving the plans and specifications of said project.

IT IS FURTHER ORDERED that the proposed financing for the project, consisting of a United States Department of Agriculture Rural Utilities Service loan in the amount of $1,240,000 at 3.75% interest for a term of 40 years; an RUS grant in the amount of $460,630; and an RUS grant in the amount of $486,370, be, and hereby is, approved.

IT IS FURTHER ORDERED that the rates and charges, attached hereto as Appendix A, be, and hereby are, approved for use by the Gauley River Public Service District for all service rendered on and after the date the project certificated herein is certified as substantially complete.

IT IS FURTHER ORDERED that, within thirty (30) days of filing the certificate of substantial completion for the instant project, the Gauley River Public Service District file an original and at least five (5) copies of a proper tariff setting forth the rates and charges hereby approved.

IT IS FURTHER ORDERED that, if there are any changes in the plans, scope or financing of the project, the Gauley River Public Service District obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that, if there are any changes in project costs which do not affect rates, the Gauley River Public Service District file herein an affidavit duly executed by a certified public accountant verifying that the District's rates and charges are not affected.

IT IS FURTHER ORDERED that the Gauley River Public Service District submit a copy of a certified tabulation of bids to the Commission, making the bids a part of the Commission's file in this case, as soon as the bids are tabulated.

IT IS FURTHER ORDERED that the Gauley River Public Service District submit to the Commission the project engineer's certificate of substantial completion and inspection of the project as soon as it is received.

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

IT IS FURTHER ORDERED that the Gauley River Public Service District submit all outstanding permits required for this project as soon as they are issued by governmental agencies, prior to commencing construction.

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

The Executive Secretary is hereby ordered to serve a copy of this Order upon the Commission by hand delivery, and by electronic service upon all parties of record who have filed an e-service agreement with the Commission and by United States Certified Mail, return receipt requested, upon all parties of record who have not filed an e-service agreement with the Commission.

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

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

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission.

Deborah Yost VanDervort
Administrative Law Judge

DYV:cdk
131119ab.docx

GAULEY RIVER PUBLIC SERVICE DISTRICT
CASE NO. 13-1119-PWD-CN

APPROVED RATES

(Effective Upon Completion of Project)

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial water service.

RATES (customers with metered water supply)

First	3,000 gallons used per month	$13.05 per 1,000 gallons
Next	3,000 gallons used per month	$12.24 per 1,000 gallons
Next	4,000 gallons used per month	$11.43 per 1,000 gallons
Next	10,000 gallons used per month	$10.62 per 1,000 gallons
All Over	20,000 gallons used per month	$ 9.80 per 1,000 gallons

MINIMUM CHARGE

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

5/8-inch meter	$ 39.15 per month
3/4-inch meter	$ 58.73 per month
1 -inch meter	$ 97.88 per month
1-1/2 -inch meter	$ 195.75 per month
2 -inch meter	$ 313.20 per month
3 -inch meter	$ 626.40 per month
4 -inch meter	$ 978.75 per month
6 -inch meter	$1,957.50 per month
8 -inch meter	$3,132.00 per month
10 -inch meter	$4,505.25 per month

LEAK ADJUSTMENT

$4.31 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

DELAYED PAYMENT PENALTY

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

RETURNED CHECK CHARGE

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

RECONNECTION - $25.00

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

TAP FEE

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

A tap fee of $100.00 will be charged to customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This pre-construction tap fee will be invalid after the completion of construction adjacent to an applicant's premises that is associated with a certificate proceeding.

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

SECURITY DEPOSIT

Not to exceed two-twelfths (2/12) of the average annual usage of the applicant's specific customer class, or fifty dollars, whichever is greater. This fee may be changed by applicable statutory provisions.

Bond Counsel

United States Department of Agriculture
Rural Development
West Virginia State Office

August 4, 2010

Mr. Russell G. Deering, Chairman
Gauley River Public Service District
P.O. Box 47
Swiss, WV 26690

Dear Mr. Deering:

This letter, with Attachments 1 through 11 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 by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RD loan in the amount of $1,240,000, an RD grant in the amount of $460,630, and other funding in the amount of $486,370, for a total project cost of $2,187,000. The other funding is planned in the form of a grant from the State of West Virginia.

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. All parties may access our web-site located at www.usda.gov/rus/water/ for the following:

a. RUS Instruction 1780
b. RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance"
c. RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
d. RUS Bulletin 1780-31, "Water Programs Compliance Supplement For OMB Circular A-133 Audits"

"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).

The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

Attachment No. 1 – Project Construction Budget (All Copies)
Attachment No. 2 – Water and Waste Processing Checklist (All Copies)
Attachment No. 3 – RUS Supplemental General Conditions (Engineer Copy)
Attachment No. 4 – Water Users Agreement (Applicant and Attorney Copies)
Attachment No. 5 – Declination Statement (Applicant and Attorney Copies)
Attachment No. 6 – Government Auditing Standards (Revision July 2007) (Accountant Copy) This may be accessed at www.gao.gov/govaud/ybk01.htm.
Attachment No. 7 – Form RD 1927-9, "Preliminary Title Opinion" (Attorney Copy)
Attachment No. 8 – Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way" (Attorney Copy)
Attachment No. 9 – Form RD 1927-10, "Final Title Opinion" (Attorney Copy)
Attachment No. 10 – Sample Credit Agreement (Applicant Copy)
Attachment No. 11 – Various other RD forms as identified on Attachment No. 2

The conditions referred to above are as follows:

1. Fund Usage – Funds obligated under the terms of this letter of conditions are committed on the basis that your project will proceed to the construction stage in an expedient manner. In accordance with RUS Staff Instruction 1782-1, Section 1782.20(u)(5), any funds not disbursed within 60 months from the date of obligation will be de-obligated and returned to the Department of Treasury for further disposition to other RUS project applicants. In the event that USDA determines that your project has not progressed within the five (5) year timeline and that funds will be recaptured, you will be given appeal rights and due process to document reasons why you believe the decision to de-obligate your project funds is not justified.

2. 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 3.25% interest rate and a monthly amortization factor of .00383, which provides for a monthly payment of $4,750. 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 will be required to establish this debt service reserve account with the West Virginia Municipal Bond

Commission. We also recommend that, as a part of this financing, you move any existing debt service reserve accounts to the Municipal Bond Commission as well. Your bond counsel will be able to assist you with this.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RD 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 or time.

3. Security – The loan must be secured by a statutory lien of shared first priority, a pledge of the system's revenues and other agreements between you and RD 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.

4. Users – This conditional commitment is based upon you providing evidence that you will have at least 1,453 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 58 signed user agreements and a signed certification from you that identifies and attests to the number of users actually connected to and using the District's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

   The enclosed Water Users Agreement will be used. Each user signing an agreement must make a user contribution of $300. 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 District 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 RD 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.

5. Bond Counsel Services – The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Subpart D of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

6. Accounting Services – It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:

    a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).

    b. Prior to loan/grant closing, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

    The Accountant's Agreement should be submitted to RD 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 RD concurrence is obtained.

    RUS regulations outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on the District. "Government Auditing Standards" (Revised July 2007), which may be accessed at www.gao.gov/govaud/ybk01.htm, and RUS Bulletins 1780-30 and 1780-31, which may be accessed at our agency website listed above, outline audit requirements.

    You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends $500,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

7. 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 District already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.

   c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.

   d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions. The attorney's legal opinion should include a certification that all requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and West Virginia State Code Chapter 54 have been met in the acquisition of both real property and rights-of-way. Such requirements may include, but are not limited to, distributing informational material to all affected property owners, and completing appraisals of the affected properties.

   e. On the day of loan closing, the District'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 District has already acquired real property(s) (land or facilities), the District's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.

8. 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

9. Public Service Commission Approvals – You must obtain the following from the West Virginia Public Service Commission:

   a. A Certificate of Convenience and Necessity.

   b. Approval of user charges that are acceptable to you and the Rural Utilities Service.

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

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

10. Insurance and Bonding Requirements – Prior to loan closing or start of construction, whichever occurs first, you must acquire the types of insurance and bond coverage shown below. The use of deductibles may be allowed providing you have the financial resources to cover potential claims requiring payment of the deductible. RD strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of RD to assure that adequate insurance and fidelity or employee dishonesty bond coverage is maintained.

    a. General Liability Insurance – This should include vehicular coverage.

    b. Workers' Compensation – In accordance with appropriate State laws.

    c. Position Fidelity Bond(s) – All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control

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

The minimum coverage acceptable to RD once your project is in operation will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).

d. National Flood Insurance – In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:

   i. If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
   ii. 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.

11. Environmental Requirements –

a. Mitigation – At the conclusion of the proposal's environmental review process, specific actions were negotiated with environmental regulatory officials to avoid or minimize adverse environmental impacts. Those action(s) are required for successful completion of the project and must be adhered to during project design and construction.

b. Project Modifications – The project as proposed has been evaluated to be consistent with all applicable environmental requirements. If the project or any project element deviates from or is modified from the original approved project, additional environmental review may be required.

12. Vulnerability Assessments (VA) and Emergency Response Plans (ERP) –

Congress enacted the Public Health Security and Bioterrorism Preparedness Response Act of 2002, Public Law 107-188 (Bioterrorism Act). The Bioterrorism Act amended the Safe Drinking Water (SDWA) to require all medium and large sized community water systems (serving populations greater than 3,300) to assess vulnerability to terrorist attack and develop emergency plans for response to such an attack. Medium and large community water systems are being monitored by the U.S. EPA for completion of VA's and ERP's.

Rural Development requires all financed water and wastewater systems to have a vulnerability assessment (VA) and an emergency response plan (ERP) in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operations. A certification that a VA is complete must be submitted within one year of the start of operations. All other borrowers must provide a certification that a VA and ERP are complete prior to bid authorization.

RD does not need or want a copy of the VA or ERP. The requested certification will be sufficient to meet our needs. Technical assistance providers are available to provide you with on site assistance if desired.

13. Civil Rights & Equal Opportunity – You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

Section 504 of the Rehabilitation Act of 1973 – Under section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RD financial assistance.

Civil Rights Act of 1964 – All borrowers are subject to, and facilities must be operated in accordance with, title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and subpart E of part 1901 of this title, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this title.

The Americans with Disabilities Act (ADA) of 1990 – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by State and local public entities which provides services, programs and activities.

Title III of the Act applies to facilities owned, leased, or operated by private entities which accommodate the public.

Age Discrimination Act of 1975 – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

RD financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

14. Contract Documents, Final Plans and Specifications –

a. The contract documents should consist of the following:

(1) EJCDC Document No. C-521, 2002 Edition, "Suggested Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. C-710, 2002 Edition, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.

(2) "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance (September 10, 2003 Version)," should be used by your engineer in the preparation of the contract documents and is available on our agency website.

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 District and its engineer. EJCDC Document C-710, "Standard General Conditions of the Construction Contract" (Funding Agency Edition) and Exhibit G to RUS Bulletin 1780-26, "Supplementary Conditions" both suggest certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.

(2) Builder's Risk Insurance – On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.

(3) Workers' Compensation – In accordance with applicable State laws.

c. The contract documents and final plans and specifications must be submitted to RD for approval.

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

15. State Prevailing Wage Law - You should ensure that all requirements of Article 5A of the West Virginia State Prevailing Wage Law, "Wages for Construction of Public Improvements" are met during construction of the project.

16. Interim Financing – Interim financing will be used for the RD loan if it is available at reasonable rates and terms. You must provide RD with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RD review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 10).

17. Disbursement of Funds – The RD funds will be advanced as they are needed in the amount(s) necessary to cover the RD proportionate share of any disbursements required of your District, over 30 day periods. Funds will be disbursed by electronic transfer of funds.

Any RD grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account except as follows:

a. Federal grant awards (includes all federal funding sources) are less than $120,000 per year.

b. The best available interest bearing account would not be expected to earn in excess of the following:

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

c. The depository would require a minimum balance so high that it would not be feasible.

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

The District 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 RD.

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

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

Form RD 1940-1 – "Request for Obligation of Funds"
RUS Bulletin 1780-12 – "Water or Waste System Grant Agreement"
RUS Bulletin 1780-27 – "Loan Resolution (Public Bodies)"
Form RD 400-1 – "Equal Opportunity Agreement"
Form RD 400-4 – "Assurance Agreement"
Form AD 1047 – "Certification Regarding Debarment – Primary"
Form AD 1049 – "Certification Regarding Drug-Free Workplace"
Form RD 1910-11 – "Applicant Certification, Federal Collection Policies"
RD 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"

20. 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.

21. Upon receipt of the loan and grant docket, which contains all the items required above, RD 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 RD 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 RD project funds will be considered to be RD grant funds and refunded to RD. If the amount of unused RD project funds exceeds the RD grant, that part would be RD loan funds and would be applied as an extra payment toward the loan balance.

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

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

Sincerely yours,

BOBBY LEWIS
State Director

Enclosures

cc: Page 13

cc: Stephen Wetherbee, Area Director
ATTN: Teresa Miller, Area Specialist
Beckley, WV

Adkins and Young, CPAs
P.O. Box 1006
Summersville, WV 26651

John P. Melick, Esquire
Jackson Kelly, LLC
P.O. Box 553
Charleston, WV 25322

Samme Gee, Esquire
Jackson Kelly, LLC
P.O. Box 553
Charleston, WV 25322

John Tuggle, P.E.
Pentree, Inc.
P.O. Box 1309
Princeton, WV 24740

Attachment No. 2 to Letter of Conditions
For: Gauley River PSD (Summersville Phase III Water)
Date: August 4, 2010

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

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		Have	3
	DUNS Number	1		Applicant		Have	3
	CAIVRS Number	1		RUS		Have	CPAP Form
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant		Have	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		Have	3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		Have	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		Have	2
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant		Have	1
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
EJCDC No. E-510-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		Have	6

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

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

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
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 Collect-ion Policies	1	1780.33(h)	Applicant		Have	3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant		Have	5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant		Have	6
RD 400-4	Assurance Agreement	1	1901-E	Applicant		Have	3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel		Have	5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant		Have	5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant			5
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	Applicant			Separate File
	2. List of Signed Users Numbered to Map	1	LOC	Applicant			5

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		Have	5
	Accountant's Certification	1	LOC	Applicant/ Accountant			3
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	Applicant/ RUS			1
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	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
	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

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Evidence of "Other Funds"	1	1780.44(f)	Applicant			2
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		Have	5
	Documentation Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			6
	Certifications on VA and ERP	1		Applicant		Have	5
	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

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	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

Attachment No. 1 to Letter of Conditions
For: Gauley River Public Service District
Date: August 4, 2010

Project Construction Budget

PROJECT COST	STATE GRANT	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION	$ 486,370	$ 117,928	$ 940,164	$ 1,544,462
CONST. CONTINGENCY		$ 116,901		$ 116,901
LAND & RIGHTS			$ 25,000	$ 25,000
LEGAL FEES			$ 30,000	$ 30,000
BOND COUNSEL			$ 20,000	$ 20,000
ACCOUNTING			$ 3,500	$ 3,500
ENGINEERING FEES		$ 148,578	$ 126,336	$ 274,914
Basic - $ 125,101				
Insp. - $ 126,646				
Special - $ 23,167				
INTEREST			$ 75,000	$ 75,000
PERMITS			$ 20,000	$ 20,000
PROJECT CONTG.		$ 77,223		$ 77,223
TOTAL	**$ 486,370**	**$ 460,630**	**$ 1,240,000**	**$ 2,187,000**

Rates

Available for general domestic, commercial, and industrial service.

First	3,000	gallons @	$	12.75	per M gallons
Next	3,000	gallons @	$	11.92	per M gallons
Next	4,000	gallons @	$	11.08	per M gallons
Next	10,000	gallons @	$	10.25	per M gallons
Over	20,000	gallons @	$	9.42	per M gallons

Minimum Charge

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

5/8" x 3/4"	meter	$	38.25	per month
3/4"	meter	$	57.38	per month
1"	meter	$	95.63	per month
1 1/2"	meter	$	191.25	per month
2"	meter	$	306.00	per month
3"	meter	$	573.75	per month
4"	meter	$	956.25	per month
6"	meter	$	1,912.50	per month
8"	meter	$	3,060.00	per month

Minimum Monthly Bill $ 38.25 for 3,000 gallons

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full when due, 10% will be added to net amount shown.

Leak Adjustment Increment

$3.79 per 1,000 gallons to be used when a bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

Service Connection Fee

There shall be a charge of $300.00 for a new service installation.

Security Deposit

A deposit of $100.00 at the time application for service is made.

Reconnection Charge

$25.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

GAULEY RIVER PUBLIC SERVICE DISTRICT
OPERATING BUDGET

OPERATING INCOME		
Metered Sales	$ 1,271,031	
Penalties	$ 10,385	
Miscellaneous	$ 4,152	
TOTAL OPERATING INCOME		$ 1,285,568
NON OPERATING INCOME		
Interest income		
TOTAL NON OPERATING INCOME		$ -
TOTAL INCOME		$ 1,285,568
EXPENSES		
O & M	$ 713,261	
Taxes	$ 15,100	
TOTAL EXPENSES		$ 728,361
INCOME AVAILABLE FOR D/S (A)		$ 557,207
DEBT SERVICE		
Existing Bond P & I (B)	$ 339,668	
Proposed Bond P & I (B)	$ 57,000	
Proposed (Phase 2) P & I	$ 90,924	
TOTAL DEBT SERVICE		$ 487,592
DEBT SERVICE RESERVE		
Debt Service Reserve*	$ 44,427	
TOTAL DEBT SERVICE RESERVE		$ 44,427
SURPLUS (DEFICIT)		$ 25,188
DEBT COVERAGE (A/B)		$ 1.14

Attachment No. 1 to Letter of Conditions
For: Gauley River Public Service District
Date: August 4, 2010

"GAULEY RIVER PUBLICE SERVICE DISTRICT"
USE AND INCOME ANALYSIS
INCLUDING SUMMERSVILLE PHASE III WATERLINE EXTENION AREA

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 3,000	Next 3,000	Next 4,000	Next 10,000	Over 20,000	TOTAL REVENUE
0 - 3,000	567	842.00	567						
3,001-6,000*	798	3,056.00		2,394.00	661.00				
6,001-20,000	72	524.00		216.00	217.00	91.00			
10,001-20,00(	11	143.00		34.00	34.00	45.00	30.00		
Over 20,000	5	3,999.00		16.00	16.00	21.00	53.00	3,893.00	
Monthly Total	1,453.00	8,564.00	566.80	2,660.00	928.00	157.00	83.00	3,893.00	
Proposed Rates			$ 38.25	$ 12.75	$ 11.92	$ 11.08	$ 10.25	$ 9.42	
Monthly Revenues			$ 21,680.10	$ 33,915.00	$ 11,061.76	$ 1,739.56	$ 850.75	$ 36,672.06	**$ 105,919.23**
Annual Revenues			$ 260,161.20	$ 406,980.00	$ 132,741.12	$ 20,874.72	$ 10,209.00	$ 440,064.72	**$ 1,271,030.76**

*includes 58 (80%) potential new customers

United States Department of Agriculture
Rural Development
West Virginia State Office

March 13, 2012

Mr. Russell G. Deering, Chairman
Gauley River Public Service District
P.O. Box 47
Swiss, WV 26690

RE: Amendment No. 1 to
Letter of Conditions

Dear Mr. Deering:

This letter, with Attachment No. 1 amends the letter of conditions dated August 4, 2010 and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RD loan in the amount of $1,240,000, an initial RD grant in the amount of $460,630, and a subsequent RD grant in the amount of $486,370, for a total project cost of $2,187,000.

Subject to the requirements noted herein, all of the conditions of the August 4, 2010 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)

The conditions referred to above are as follows:

1. 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.

"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).

2. 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"
   Form RD 1942-46 - "Letter of Intent to Meet Conditions"

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

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

Sincerely,

BOBBY LEWIS
State Director

Enclosures

cc: Stephen Wetherbee, Area Director, Beckley
ATTN: Teresa Miller, Area Specialist

Adkins and Young, CPAs
P.O. Box 1006
Summersville, WV 26651

John P. Melick, Esquire
Jackson and Kelly, LLC
P.O. Box 553
Charleston, WV 25322

Samme Gee, Esquire
Jackson and Kelly, LLC
P.O. Box 553
Charleston, WV 25322

John Tuggle, P.E.
Pentree, Inc.
P.O. Box 1309
Princeton, WV 24740

Attachment No. 1 to Letter of Conditions
For: Gauley River Public Service District
Date: March 13, 2012

Project Construction Budget

PROJECT COST	RUS SUB. GRANT	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION	$ 486,370	$ 117,928	$ 940,164	$ 1,544,462
CONST. CONTINGENCY		$ 116,901		$ 116,901
LAND & RIGHTS			$ 25,000	$ 25,000
LEGAL FEES			$ 30,000	$ 30,000
BOND COUNSEL			$ 20,000	$ 20,000
ACCOUNTING			$ 3,500	$ 3,500
ENGINEERING FEES		$ 148,578	$ 126,336	$ 274,914
Basic - $ 125,101				
Insp. - $ 126,646				
Special - $ 23,167				
INTEREST			$ 75,000	$ 75,000
PERMITS			$ 20,000	$ 20,000
PROJECT CONTG.		$ 77,223		$ 77,223
TOTAL	**$ 486,370**	**$ 460,630**	**$ 1,240,000**	**$ 2,187,000**

USDA

United States Department of Agriculture

September 24, 2014

Russell G. Deering, Chairman
Gauley River Public Service District
P. O. Box 47
Swiss, WV 26690

Dear Mr. Deering:

The pre-closing date for the PSD's Summersville Water Extension Phase III project has been established as October 8, 2014. The pre-closing will begin at 10:00 a.m. at the PSD office followed by the pre-construction conference at 11:00 a.m.

Reference is made to our Letter of Conditions dated August 4, 2010 and March 13, 2012. All of the requirements of those letters must be met.

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

1. The PSD's attorney must furnish Form RD 442-22, "Opinion of Counsel Relative to Rights of Way," showing no exceptions. This form should be dated October 10, 2014.

2. The PSD's attorney must furnish Form RD 1927-10, "Final Title Opinion," on all land(s) being acquired. In addition, the attorney must provide a separate Final Title Opinion(s) covering all existing property owned by the PSD. The opinion(s) should be dated October 10, 2014.

3. The PSD's attorney must furnish an updated narrative opinion addressing all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. The narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled. The opinion should be dated October 10, 2014.

Rural Development • Beckley Area Office
481 Ragland Rd • Beckley WV 25801
Voice (304) 253-9597 • Toll Free (800) 295-8228 • Fax (304) 929-2025 • TDD (304) 284-4836 • Web http://www.rurdev.usda.gov/wv

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

4. The permit from the West Virginia Department of Highways must be on hand at the closing. The PSD should proceed to obtain necessary bond and forward same to the WVDOH requesting the permit be issued.

5. A certificate from the PSD's accountant that the accounts and records required by the bond resolution and the PSC have been established and are operational. The chart of accounts and record keeping books must be available for review at loan closing.

6. The PSD must provide evidence that it has acquired insurance and bond coverage in accordance with item 10 of the Letter of Conditions.

7. The PSD must furnish evidence that it provides State Workers' Compensation Insurance.

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

Sincerely,

TERESA A. MILLER
Rural Development Specialist

Enclosures

cc: State Director, Rural Development, Morgantown, WV
Stephen Chambers, Jackson Kelly, Attorneys at Law, P. O. Box 553, Charleston, WV
Samme Gee, Jackson Kelly, Bond Counsel, Charleston, WV
Adkins & Young, CPA, P. O. Box 1006, Summersville, WV
Thrasher, 155 Blue Angel Lane, Beaver, WV

Project Construction Budget

PROJECT COST	RUS SUB GRANT	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION		$ 227,318	$ 774,132	$ 1,001,450
BUILDING CONST.			$ 145,000	$ 145,000
CONST. CONTINGENCY	$ 486,370			$ 486,370
LAND & RIGHTS			$ 5,000	$ 5,000
LEGAL FEES			$ 30,000	$ 30,000
BOND COUNSEL			$ 20,000	$ 20,000
ACCOUNTING			$ 3,000	$ 3,000
ENGINEERING FEES Basic - $1 155,101 Inspection-$126,646 Special - $23,167		$ 152,646	$ 152,268	$ 304,914
INTEREST			$ 80,600	$ 80,600
PERMITS			$ 30,000	$ 30,000
PROJECT CONTG.		$ 80,666		$ 80,666
TOTAL	**$ 486,370**	**$ 460,630**	**$ 1,240,000**	**$ 2,187,000**

Position 5

RUS BULLETIN 1780-27
(Automated 8-97)

FORM APPROVED
OMB. No. 0575-0015

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE **Board of Directors**

OF THE **Gauley River PSD**

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS **Water** FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the **Gauley River PSD** *(Public Body)*,

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

ONE MILLION TWO HUNDRED FORTY THOUSAND AND XX / 100 DOLLARS (1,240,000.00)

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

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

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

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of $10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed $460,630

under the terms offered by the Government; that **Chairman**

and **Secretary** of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the **Board of Directors** of the **Gauley River PSD** has duly adopted this resolution and caused it to be executed by the officers below in duplicate on this 4th day of August, 2010

Gauley River PSD

(SEAL) (if applicable)

By Russell G. Deering

Russell G. Deering

Attest:

Title **Chairman**

Ted Elliott

Title **Secretary**

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Secretary of the Gauley River PSD

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

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

held on the 4th day of August, 2010 that the foregoing resolution was adopted at such meeting

by the vote shown above. I further certify that as of October 10, 2014,

the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been

rescinded or amended in any way.

Dated, this 10th day of October 2014.

Ved Elliott

Secretary of Gauley River PSD

March 13, 2012
Minutes
Gauley River Public Service District

The Gauley River Public Service District met in its regular meeting on March 13, 2012 at 10:00 a.m. in the office of the District at Swiss, WV.

Present for today's meeting were: Russell Deering, Chairman; Ted Elliott, Secretary; Sue Gray, Treasurer; Juanita Phillips, Office Manager; Tammy Jones, Office Assistant; John Tuggle, Anthony Brown, Shane Meadows, Pentree, Inc.; Alice King, Region IV; Teresa Miller, USDA; and Allen Ferrell, Jr., Bruce Allen, Inc., and 2 members of the public.

Ted Elliott made a motion to approve the February 14, 2012 minutes as presented, seconded by Sue Gray. The vote was 3 ayes and no nays.

Ted Elliott made a motion to approve the March 5, 2012, Phase II Loan Closing minutes as presented, seconded by Sue Gray. The vote was 3 ayes and no nays.

Sue Gray made a motion to pay the District bills, seconded by Ted Elliott. The vote was 3 ayes and no nays.

Construction on Phase I of the Summersville Project is 93% complete financially and 99% of pipe is in place. Allen Ferrell stated he hopes to be finished by April 1, 2012.

Alice King presented a resolution to approve invoices relating to construction and other services for Phase I of the Summersville project in the following amounts:

Pentree, Incorporated	$16,979.62
Jackson Kelly	281.05
TOTAL	$17,260.67

Sue Gray made a motion to pay the invoices, seconded by Ted Elliott. The vote was 3 ayes and no nays.

Ted Elliott made a motion to adjourn to executive session at 10:25 a.m., seconded by Sue Gray. The vote was 3 ayes and no nays. Russell Deering called the meeting to order at 10:35 a.m. after the executive session.

Teresa Miller presented the amended Letter of Conditions for Phase III of the Summersville Project granting the District $460,630.00 for a total of $2,187,000 for the project. Ted Elliott made a motion to adopt the following forms associated with the original letter of conditions:

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

The motion was seconded by Sue Gray, and the vote was 3 ayes and no nays.

With no further business to come before this meeting, Ted Elliott made a motion to adjourn, seconded by Sue Gray. The vote was 3 ayes and no nays.

Russell A Deering
Commissioner

Commissioner

GAULEY RIVER PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,240,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2014 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF GAULEY RIVER PUBLIC SERVICE DISTRICT:

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Bond Registrar" means the Issuer, which shall so serve by the Secretary of the Issuer.

"Bonds" means, collectively, the Series 2014 A Bonds, the Prior Bonds and any Parity Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"Chairperson" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2014 A Bonds for all or a portion of the proceeds of the Series 2014 A Bonds.

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

"Consulting Engineers" means The Thrasher Group, Inc., Charleston, West Virginia, or any engineer or firm of engineers, licensed by the State, which shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.03E hereof to be a part of the cost of acquisition and construction of the Project.

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

"Depreciation Account" means the Depreciation Account established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"First Lien Bonds" means, collectively, the Series 1986 A Bonds, the Series 1993 Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 2005 A Bonds, the Series 2007 A Bonds, Series 2010 A Bonds and the Series 2012 A Bonds, all as hereinafter defined.

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

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

"Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser of the Series 2014 A Bonds.

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

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

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by

the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Issuer" means Gauley River Public Service District, a public service district, public corporation and political subdivision of the State in Fayette County, operating the System in Fayette, Nicholas and Clay Counties, West Virginia, and includes the Governing Body.

"Letter of Conditions" means the Letter of Conditions from the Government dated August 4, 2010, and the Amendment No.1 to Letter of Conditions dated March 13, 2012, and all amendments thereto.

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

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Section 10.01 hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Registered Owners, any Bonds registered to the Issuer.

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

"Prior Bonds" means, collectively, the Issuer's (i) Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230; (ii) Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350; (iii) Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000; (iv) Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000; (v) Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal

amount of $57,000; (vi) Water Revenue Bonds, Series 2005 A, dated November 2, 2005, issued in the original principal amount of $1,623,000; (vii) Water Revenue Bonds, Series 2007 A, dated November 13, 2007, issued in the original principal amount of $354,818; (viii) Water Revenue Bonds, Series 2010 A (United States Department of Agriculture), dated March 25, 2010, issued in the original principal amount of $2,150,000; and (ix) Water Revenue Bonds, Series 2012 A (United States Department of Agriculture), dated March 7, 2012, issued in the original principal amount of $1,839,000.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted April 30, 1986, March 17, 1993, June 26, 1997, October 31, 2005, November 13, 2007, March 23, 2010, and March 5, 2012, authorizing the Prior Bonds.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the System, a description of which is attached hereto as Exhibit A and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

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

(a) Government Obligations;

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

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

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

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of

Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further, that the owner 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 Code of West Virginia, 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts of the Series 2014 A Bonds and the Prior Bonds.

"Reserve Requirements" means, collectively, the respective reserve requirements of the Series 2014 A Bonds and the Prior Bonds.

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

"Revenue Fund" means the Revenue Fund established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"Series 1986 A Bonds" means the Issuer's Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230.

"Series 1986 B Bonds" means the Issuer's Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350.

"Series 1993 Bonds" means the Issuer's Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000.

"Series 1997 A Bonds" means the Issuer's Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000.

"Series 1997 B Bonds" means the Issuer's Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000.

"Series 2005 A Bonds" means the Issuer's Water Revenue Bonds, Series 2005 A, dated November 2, 2005, issued in the original principal amount of $1,623,000.

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated November 13, 2007, issued in the original principal amount of $354,818.

"Series 2010 A Bonds" means the Water Revenue Bonds, Series 2010 A United States Department of Agriculture), dated March 25, 2010, issued in the original principal amount of $2,150,000.

"Series 2012 A Bonds" means the Water Revenue Bonds, Series 2012 A (United States Department of Agriculture), dated March 7, 2012, issued in the original principal amount of $1,839,000.

"Series 2014 A Bonds" means the Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), of the Issuer, authorized to be issued by this Resolution.

"Series 2014 A Bonds Construction Trust Fund" means the Series 2014 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2014 A Bonds Reserve Account" means the Series 2014 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2014 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2014 A Bonds in the then current or any succeeding year.

"Series 2014 A Bonds Sinking Fund" means the Series 2014 A Bonds Sinking Fund established by Section 5.03A(2) hereof.

"Sinking Funds" means, collectively, the respective sinking funds of the Series 2014 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2014 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2014 A Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Series 2014 A Bonds and the Prior Bonds, including the Sinking Funds, the Reserve Accounts, the Renewal and Replacement Fund and the Depreciation Account.

"System" means the complete public service properties of the Issuer for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired 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.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairperson or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairperson or Acting Secretary.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public service district, public corporation and political subdivision of the State in Fayette County of said State. The Issuer presently owns and operates a public water system in Fayette, Nicholas and Clay Counties. However, the Issuer deems it

necessary and desirable for the health, welfare and safety of the inhabitants of the Issuer that there be acquired and constructed the Project, in accordance with the plans and specifications prepared by the Consulting Engineer, which plans and specifications have been approved by the Government and the Issuer.

B. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Government.

C. The estimated maximum cost of acquisition and construction of the Project is $2,187,000, of which not more than $1,240,000 will be obtained from the Series 2014 A Bonds and $460,630 will be obtained from a grant from the Government and $486,370 will be obtained from a subsequent grant from the Government.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest on the Prior Bonds and the Series 2014 A Bonds and to make payments into all funds and accounts provided for in this Resolution and the Prior Resolutions.

E. It is deemed necessary for the Issuer to issue the Series 2014 A Bonds in the aggregate principal amount of not more than $1,240,000, to permanently finance a portion of the costs of acquisition and construction of the Project. Such costs shall be deemed to include the cost of acquisition or construction of any public service properties and any improvements and extensions thereto, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Series 2014 A Bonds prior to and during acquisition or construction and for six months after completion of acquisition or construction of the Project; engineering 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 enterprise, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized, the acquisition or construction of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

F. The Series 2014 A Bonds shall be issued on a parity with the First Lien Bonds and senior and prior to the Series 1986 B Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2014 A Bonds, the Issuer will obtain (1) the certificate of an Independent Certified Public Accountant stating that the parity and coverage tests of the First Lien Bonds have been met; (2) the written consent of the Registered Owners of the First Lien Bonds to the issuance of the Series 2014 A Bonds on a parity with the First Lien Bonds; and (3) the written consent of the Registered Owners of the Series 1986 B Bonds to the issuance of the Series 2014 A Bonds on a senior and prior basis to the Series 1986 B Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

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

H. It is in the best interests of the Issuer that the Series 2014 A Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions.

I. The Issuer has complied with all requirements of West Virginia law and the Letter of Conditions relating to authorization of the acquisition, construction and operation of the Project and issuance of the Series 2014 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of the PSC Order, the time for rehearing and appeal of which has expired or will have been waived prior to the issuance of the Series 2014 A Bonds.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2014 A Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated maximum cost of $2,187,000, in accordance with the plans and specifications prepared by the Consulting Engineers, approved by the Government and the Issuer and heretofore filed in the office of the Governing Body. The proceeds of the Series 2014 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the financing plan submitted to the Government.

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purposes of paying a portion of the costs of the Project and paying the costs of issuance of the Series 2014 A Bonds and related costs, there shall be and hereby are authorized to be issued negotiable Series 2014 A Bonds of the Issuer. The Series 2014 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2014 A (United States Department of Agriculture)," in the aggregate principal amount of not more than $1,240,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution.

Section 3.02. Terms of Bonds. The Series 2014 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the legal maximum rate, payable monthly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2014 A Bonds.

The Series 2014 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Bond form.

Section 3.03. Execution of Bonds. The Series 2014 A Bonds shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairperson, and the seal of the Issuer shall be impressed thereon and attested by the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Transfer and Registration. The Series 2014 A Bonds shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but the Bonds, and the right to principal of and stated interest on the Bonds, may only be transferred by transfer of the registration thereof upon the books of the Bond Registrar, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2014 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations,

for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No registration of transfer of the Series 2014 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Bonds.

The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, books for the registration and transfer of the Series 2014 A Bonds and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2014 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2014 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2014 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, 1520 Market Street, 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. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2014 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing the Issuer proof of ownership and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be canceled and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.06. Bonds not to be Indebtedness of the Issuer. The Series 2014 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System, as herein provided. No Registered Owner

of the Series 2014 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2014 A Bonds or the interest thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2014 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2014 A Bonds and the Prior Bonds and to make the payments into all funds and accounts provided for in this Resolution and the Prior Resolutions, are hereby irrevocably pledged to such payments as they become due.

Section 3.08. Form of Bonds. The text of the Series 2014 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2014 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 $_____

FOR VALUE RECEIVED, on this ___day of _____, 2014, GAULEY RIVER PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Fayette, Nicholas and Clay Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of _____ DOLLARS ($_____), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of _____% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of $_____, 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 below. This consideration 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 the Issuer as requested by the Issuer 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 the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security 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 the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements and extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2014, and a Supplemental Resolution duly adopted by the Issuer on _____, 2014 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230; (2) WATER REVENUE BONDS, SERIES 1993, DATED MARCH 17, 1993, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,600,000; (3) WATER REVENUE BONDS, SERIES 1997 A, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $414,000; (4) WATER REVENUE BONDS, SERIES 1997 B, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $57,000; (5) WATER REVENUE BONDS, SERIES 2005 A, DATED NOVEMBER 2, 2005, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,623,000; (6) WATER REVENUE BONDS, SERIES 2007 A, DATED NOVEMBER 13, 2007, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $354,818; (7) WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MARCH 25, 2010, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $2,150,000; AND (8) WATER REVENUE BONDS, SERIES 2012 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MARCH 7, 2012, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,839,000 (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BONDS, SERIES 1986,

DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "SERIES 1986 B BONDS"). THE FIRST LIEN BONDS AND THE SERIES 1986 B BONDS ARE COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the First Lien Bonds, and senior and prior to the pledge of Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds, and from moneys in the reserve account created under the Resolution for this Bond (the "Series 2014 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2014 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on this Bond and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2014 A Bonds Reserve Account, an amount equal to the maximum amount of principal and interest which will become due on this Bond in any year, and in the respective reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner of this Bond for the terms of which reference is made to the Resolution. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements in the Resolution, this Bond is transferable, as provided in the Resolution, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the

Resolution, shall be applied solely to payment of the costs of acquisition and construction of the Project and the costs of issuance hereof as described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

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

IN WITNESS WHEREOF, GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

_____

Chairperson

[SEAL]

ATTEST:

_____

Secretary

(Form of)

RECORD OF ADVANCES

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

TOTAL

(Form of)

ASSIGNMENT

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

Dated: _____, __.

_____

In the presence of:

_____

Section 3.09. Sale of Bonds. The Series 2014 A Bonds shall be sold to the Government pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions is hereby approved and the provisions of the Letter of Conditions are specifically incorporated in this Resolution.

ARTICLE IV

[RESERVED]

ARTICLE V
SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions);

(3) Depreciation Account (established by the Prior Resolutions); and

(4) Series 2014 A Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special account is created with and shall be held by the Commission:

(1) Series 2014 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities and as provided in the Prior Resolutions.

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

(2) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the interest payments on the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 30 days following the date of delivery of the Series 2014 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2014 A Bonds Sinking Fund hereby established at the National Finance Office, the amount of interest set forth in the Series 2014 A Bonds.

(3) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the principal payments of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2014 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2014 A Bonds Sinking Fund, the amount of principal set forth in the Series 2014 A Bonds.

The deposits into the Series 2014 A Bonds Sinking Fund provided in this paragraph and in Section 5.03A (2) above, constitute actual payments of principal of and interest on the Series 2014 A Bonds to the Government.

(4) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the reserve account payments into the Reserve Accounts of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2014 A Bonds and continuing on the corresponding day of each month, remit to the Commission for deposit in the Series 2014 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2014 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2014 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2014 A Bonds Reserve Requirement.

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

(6) The Issuer shall next, each month, from the moneys in the Revenue Fund, make the payments into the Depreciation Account in the amounts and on the dates required by the Prior Resolutions.

(7) The Issuer shall next, on the first day of each month, from the moneys in the Revenue Fund, remit to the Commission for deposit (i) in the Series 1986 B Bonds Sinking Fund, the amount required by the Prior Resolutions to pay principal of the Series 1986 B Bonds, and (ii) in the Series 1986 B Bonds Reserve Account, the amount required by the Prior Resolutions.

Moneys in the Series 2014 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2014 A Bonds as the same shall become due. Moneys in the Series 2014 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest on the Series 2014 A Bonds as the same shall come due, when other moneys in the Series 2014 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2014 A Bonds Reserve Account (if fully funded) shall be transferred, not less than once each year, to the Series 2014 A Bonds Construction Trust Fund during construction of the Project and thereafter, to the Revenue Fund

and applied in full, first to the next ensuing interest payment due on the Series 2014 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2014 A Bonds Reserve Account which result in a reduction in the balance therein to an amount below the Series 2014 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2014 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay any interest on such Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

Interest, principal, or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2014 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2014 A Bonds Reserve Account created hereunder, and all amounts required for such account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Government, the Issuer shall make the necessary arrangements whereby required payments into the Series 2014 A Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates hereunder.

Moneys in the Series 2014 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2014 A Bonds Sinking Fund and the Series 2014 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2014 A Bonds under the conditions and restrictions set forth herein.

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

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

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

E. If, on any monthly payment date, the revenues are insufficient to place the required amount in any of the funds and accounts as herein above provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Section 5.03A hereof, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority.

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

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

ARTICLE VI
APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. All moneys received from time to time from the sale of the Series 2014 A Bonds shall be deposited in the Series 2014 A Bonds Construction Trust Fund and shall be used solely to pay costs of the Project and until so expended, are hereby pledged as additional security for the Series 2014 A Bonds.

Section 6.02. Disbursements from Bond Construction Trust Fund. The Series 2014 A Bonds Construction Trust Fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the costs of the Project and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the costs of the Project and payment of interest on the Series 2014 A Bonds prior to and during construction and for a period up to six months after completion of construction and for no other purposes whatsoever. If approved by the Government, the moneys in said fund shall be secured at all times by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Series 2014 A Bonds Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Registered Owners of the Series 2014 A Bonds.

Expenditures or disbursements from the Series 2014 A Bonds Construction Trust Fund shall be made only after such expenditures or disbursements have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

The Issuer shall coordinate with the Government on the monthly payment of the costs of the Project and shall submit invoices and requisitions as directed by the Government.

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2014 A Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2014 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2014 A Bonds or the interest thereon are Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2014 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Registered Owner of the Series 2014 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2014 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2014 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2014 A Bonds and to make the payments into all funds and accounts and all other payments provided for in this Resolution and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein and therein, to such payments as the same become due, and for the other purposes provided in this Resolution and the Prior Resolutions.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by state law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of this Resolution and the Prior Resolutions. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved in the PSC Order and such rates are hereby adopted.

So long as the Series 2014 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2014 A Bonds shall prove to be insufficient to produce the required sums set forth in this Resolution, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. So long as the Series 2014 A Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of, or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government and such consent will specify the disposition of the proceeds of any such sale or transfer.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as the Series 2014 A Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2014 A Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof and in the Prior Resolutions (so long as the Prior Bonds are Outstanding). All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2014 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein and in the Prior Resolutions have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the liens of the Series 2014 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2014 A Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as the Prior Bonds are Outstanding, no Parity Bonds shall be issued except in accordance with the terms of the Prior Resolutions. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner provided herein and with the prior written consent of the Government.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Prior Bonds and the Series 2014 A Bonds.

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

So long as the Series 2014 A Bonds are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds then Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Series 2014 A Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2014 A Bonds are no longer Outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

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

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

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the

Registered Owners of the Series 2014 A Bonds and the Registered Owners of any Parity Bonds issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2014 A Bonds.

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

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

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of the Series 2014 A Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body.

The Issuer shall file with the Government or any Registered Owner of the Series 2014 A Bonds requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and to the extent legally required in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto) and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2014 A Bonds and shall submit said report to the Government. Such audit report submitted to the Government shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and this Resolution and that the Gross Revenues are adequate to meet the Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to issuance of the Series 2014 A Bonds, approvals of equitable rates or charges for the use of and service rendered by the System shall have been obtained in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to

inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reductions in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2014 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2014 A Bonds, including the Prior Bonds; provided, that in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 2014 A Bonds Reserve Account, and the Reserve Accounts for obligations on a parity with the Series 2014 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2014 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2014 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services of the System described in Section 7.04 hereof.

Section 7.10. Operating Budget. The Issuer shall annually, at least 30 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Government within 30 days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made, except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Government and to any Registered Owner of the Series 2014 A Bonds within 30 days of adoption thereof and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Government and any Registered Owner of the Series 2014 A Bonds or anyone acting for and on behalf of such Registered Owner.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain the certificate of the Consulting Engineers, certifying that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Government, the Project will be adequate for the purposes for which it was designed, the funding plan as submitted to the Government is sufficient to pay the costs of the acquisition and construction of the Project, and all permits required by federal and state laws for construction of

the Project have been obtained. The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Government, covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. The Issuer shall employ qualified operating personnel properly certified by the State to operate the System so long as the Series 2014 A Bonds are Outstanding.

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

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

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

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. The Issuer hereby covenants and agrees that, so long as the Series 2014 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or

carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured prior to acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground insurable portions of the System, including machinery and equipment housed therein, 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 on all structures and mechanical and electrical equipment in place or stored on the site during construction of the Project in the full insurable value thereof.

(B) Public Liability Insurance, with limits of not less than $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from the operation of the System.

(C) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated for the benefit of the Issuer, with limits of not less than $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from such operation of vehicles.

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bonds will be provided as to every member, officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available; provided however, that 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.

(G) Construction Bonds. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular

contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction. The Issuer shall also require all contractors engaged in the construction of the Project to carry such workers' compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. The Issuer shall verify such insurance prior to commencement of construction.

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

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

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and other state agencies necessary for the acquisition and construction of the Project and the operation of the System and all approvals for the issuance of the Series 2014 A Bonds required by state law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Registered Owners of the Series 2014 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Series 2014 A Bonds; provided however, that the statutory mortgage lien in favor of the Registered Owners of the Series 2014 A Bonds shall be on a parity with the statutory mortgage lien in favor of the Registered Owners of the First Lien Bonds and senior and prior to the statutory mortgage lien in favor of the Registered Owners of the Series 1986 B Bonds.

Section 7.19. Compliance with Letter of Conditions and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, this Resolution and the Act. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Government or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.20. Contracts. The Issuer shall, simultaneously with the delivery of the Series 2014 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2014 A Bonds are Outstanding.

Notwithstanding the foregoing, any investments made pursuant to this Resolution shall comply with the guidelines of the Government.

ARTICLE IX
DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2014 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Series 2014 A Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2014 A Bonds set forth in this Resolution, any Supplemental Resolution or the Series 2014 A Bonds and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Government, the Depository Bank, the Bond Registrar, the Paying Agent or the Registered Owner; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2014 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2014 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 2014 A Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Series 2014 A Bonds, or the rights of such Registered Owners; provided however, that all rights and remedies of the Registered Owners of the Series 2014 A Bonds shall be on a parity with those of the Registered Owners of the First Lien Bonds and senior and prior to those of the Registered Owners of the Series 1986 B Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2014 A Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, the completion of the Project, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default, with respect to the Bonds, the Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates,

rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

ARTICLE X
PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay, or there shall otherwise be paid, to the Registered Owners of the Series 2014 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2014 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through direct payment of the entire outstanding principal of and all accrued interest on the Series 2014 A Bonds to the Registered Owners thereof, the Issuer may not defease the Series 2014 A Bonds or provide for payment thereof by escrow or other similar arrangements.

ARTICLE XI
MISCELLANEOUS

Section 11.01. Modification or Amendment of Resolution. Prior to the issuance of the Series 2014 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2014 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the rights of Registered Owners of the Series 2014 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2014 A Bonds then Outstanding; provided, that no change shall be made in the maturity of the Series 2014 A Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2014 A Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Resolution Constitutes Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2014 A Bonds and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution, any Supplemental Resolution or the Series 2014 A Bonds.

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

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

Section 11.06. Covenant of Due Procedure. 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 Chairperson, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred, and are, duly in office and duly qualified for such office.

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

Adopted this 8th day of October, 2014.

Russell D Burge
Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on the 8th day of October, 2014.

Dated this 10th day of October, 2014.

[SEAL]

Secretary

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of construction of extensions of existing water distribution infrastructure from the terminus of the Phase II extension in the Zela area of Nicholas County to connect with existing Issuer facilities, including construction of approximately 11,000 feet of 8-inch water main, 14,700 feet of 6-inch water main, 6,300 feet of 2-inch water main, 10 fire hydrants and necessary valves, meters and all appurtenances thereto.

GAULEY RIVER PUBLIC SERVICE DISTRICT 2.3
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

BOND RESOLUTION

Table of Contents

		Page
	ARTICLE I STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	
Section 1.01.	Definitions	1
Section 1.02.	Authority for this Resolution	7
Section 1.03.	Findings	7
Section 1.04.	Resolution Constitutes Contract	9
	ARTICLE II AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT	
Section 2.01.	Authorization of Acquisition and Construction of Project	10
	ARTICLE III AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS	
Section 3.01.	Authorization of Bonds	11
Section 3.02.	Terms of Bonds	11
Section 3.03.	Execution of Bonds	11
Section 3.04.	Negotiability, Transfer and Registration	11
Section 3.05.	Bonds Mutilated, Destroyed, Stolen or Lost	12
Section 3.06.	Bonds not to be Indebtedness of the Issuer	12
Section 3.07.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	13
Section 3.08.	Form of Bonds	13
	FORM OF SERIES 2014 A BOND	14
Section 3.09.	Sale of Bonds	21
	ARTICLE IV RESERVED	
	ARTICLE V SYSTEM REVENUES AND APPLICATION THEREOF	
Section 5.01.	Establishment of Funds and Accounts with Depository Bank	23
Section 5.02.	Establishment of Funds and Accounts with Commission	23

Section 5.03.	System Revenues; Flow of Funds	23

ARTICLE VI
APPLICATION OF BOND PROCEEDS

Section 6.01.	Application of Bond Proceeds	27
Section 6.02.	Disbursements from Bond Construction Trust Fund	27

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01.	General Covenants of the Issuer	28
Section 7.02.	Bonds not to be Indebtedness of the Issuer	28
Section 7.03.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	28
Section 7.04.	Initial Schedule of Rates and Charges	28
Section 7.05.	Sale of the System	29
Section 7.06.	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	29
Section 7.07.	Parity Bonds	29
Section 7.08.	Books; Records and Audit	31
Section 7.09.	Rates	32
Section 7.10.	Operating Budget	33
Section 7.11.	Engineering Services and Operating Personnel	33
Section 7.12.	No Competing Franchise	34
Section 7.13.	Enforcement of Collections	34
Section 7.14.	No Free Services	34
Section 7.15.	Insurance and Construction Bonds	34
Section 7.16.	Connections	36
Section 7.17.	Completion and Operation of Project; Permits and Orders	36
Section 7.18.	Statutory Mortgage Lien	36
Section 7.19.	Compliance with Letter of Conditions and Law	36
Section 7.20.	Contracts	36

ARTICLE VIII
INVESTMENT OF FUNDS

Section 8.01.	Investment of Funds	37

ARTICLE IX
DEFAULTS AND REMEDIES

Section 9.01.	Events of Default	38
Section 9.02.	Remedies	38
Section 9.03.	Appointment of Receiver	38

ARTICLE X
PAYMENT OF BONDS

Section 10.01. Payment of Bonds 40

ARTICLE XI
MISCELLANEOUS

Section 11.01. Modification or Amendment of Resolution 41
Section 11.02. Resolution Constitutes Contract 41
Section 11.03. Severability of Invalid Provisions 41
Section 11.04. Headings, Etc. 41
Section 11.05. Conflicting Provisions Repealed; Prior Resolutions 41
Section 11.06. Covenant of Due Procedure 41
Section 11.07. Effective Date 42

EXHIBIT A - PROJECT DESCRIPTION 44

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 2014 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DESIGNATING A DEPOSITORY BANK AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Gauley River Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on October 8, 2014 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,240,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2014 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance of the Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), of the Issuer, in the aggregate principal amount not to exceed $1,240,000 (the "Bonds" or the "Series 2014 A Bonds"), all in accordance with Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and in the Resolution it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by the Government pursuant to the Letter of Conditions; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the

Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), of the Issuer, in the original aggregate principal amount of $1,240,000. The Series 2014 A Bonds shall be issued in the form of one Bond, shall be dated the date of delivery, shall mature forty years from the date thereof, shall be numbered AR-1, and the principal amount advanced under the Series 2014 A Bonds shall bear interest at the rate of 3.25% per annum. Monthly installments of interest only on the amounts advanced under the Series 2014 A Bonds are payable 30 days following the date of delivery of the Series 2014 A Bonds and on the corresponding day of each month thereafter for the first 24 months after the date of delivery of the Series 2014 A Bonds, and thereafter, monthly installments of principal of and interest on the Series 2014 A Bonds, in the aggregate amount of $4,750, are payable on the corresponding day of each month, except that the final installment on the Series 2014 A Bonds shall be paid at the end of 40 years from the date of the Series 2014 A Bonds in the sum of the unpaid principal and interest due on the date thereof. The Series 2014 A Bonds are subject to prepayment as set forth in the Resolution and the Series 2014 A Bonds. All principal and interest payments on the Series 2014 A Bonds will be paid by the Issuer directly to the order of the United States of America at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

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

Section 3. The Issuer hereby approves and accepts the Letter of Conditions and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates The City National Bank of West Virginia, Gauley Bridge, West Virginia, to serve as the Depository Bank under the Resolution.

Section 5. The proceeds of the Bonds, as advanced from time to time, shall be deposited in the Series 2014 A Bonds Construction Trust Fund for payment of the costs of the Project and the costs of issuance of the Bonds and related costs.

Section 6. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the

Bonds may be delivered to the Government pursuant to the Letter of Conditions on or about October 10, 2014.

Section 7. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 8. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Series 2014 A Bonds Reserve Account shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 9. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 10. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairperson is hereby authorized and directed to execute and deliver all such contracts.

Section 11. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 8th day of October, 2014.

Russell L Jennings
Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on the 8th day of October, 2014.

Dated this 10th day of October, 2014.

[SEAL]

Secretary

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

2.6

MINUTES ON ADOPTION OF BOND RESOLUTION
AND SUPPLEMENTAL RESOLUTION

On this 10th day of October, 2014, the undersigned duly appointed Secretary of the Public Service Board of Gauley River Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of said Public Service Board:

*** *** ***

The Public Service Board of Gauley River Public Service District met in special session, pursuant to notice duly published and posted, on the 8th day of October, 2014, in Swiss, West Virginia, at the hour of 10:00 a.m.

PRESENT:	Russell G. Deering	-	Chairperson and Member
	Teddie R. Elliott	-	Secretary and Member
ABSENT:	Sue Gray	-	Treasurer and Member

Russell G. Deering, Chairperson, presided, and Teddie R. Elliott, acted as Secretary. The Chairperson announced that a quorum of members was present and that the meeting was open for any business properly before it.

*** *** ***

Next, the Chairperson presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,240,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2014 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

Next, the Chairperson presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 2014 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DESIGNATING A DEPOSITORY BANK AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Upon motion duly made and seconded, it was unanimously ordered that said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairperson presented a proposed Resolution in writing approving the payment of invoices from proceeds of the Bonds. Thereupon, upon motion duly made and seconded, it was unanimously ordered that said 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 be adjourned.

Chairperson

Secretary

CERTIFICATION

I hereby certify that the foregoing action of GAULEY RIVER PUBLIC SERVICE DISTRICT remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature as of the date first written above.

Secretary

The Nicholas Chronicle a division of Nicholas County Publishing Company Inc.

I, Raymond W. Corbin, News Editor of The Nicholas Chronicle, a weekly newspaper published at Summersville in the County of Nicholas, and the State of West Virginia, do certify that the hereto attached Legal Advertisement - Gauley River Public Service District, P.O. Box 47, Swiss, WV 26690-0047; **NOTICE OF SPECIAL MEETING ON OCT. 8, 2014 RE: WATER REVIEW BONDS** appeared in said newspaper for 1 week, on the 25th day of September, 2014.

Given under my hand this 25th day of September, 2014.

By Raymond W. Corbin, News Editor.

Fee for publication:
304 words @ $.12 per word, for a total cost of $36.48.

The foregoing instrument was acknowledged before me this the 25th day of September, 2014.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
MATTHEW R. YEAGER
THE NICHOLAS CHRONICLE
718 BROAD STREET
SUMMERSVILLE, WV 26651
My commission expires July 7, 2018

Matthew R. Yeager

Notary Public
My commission expires July 7, 2018.

GAULEY RIVER PUBLIC SERVICE DISTRICT
NOTICE OF SPECIAL MEETING

The Public Service Board of Gauley River Public Service District (the "District") will hold a special meeting on October 8, 2014 at 10:00 a.m., prevailing time, at the District's office at 29 South Swiss Road, Swiss, West Virginia, for the following purposes:

1. To consider and adopt a proposed Bond Resolution authorizing its Water Revenue Bonds, Series 2014 A (United States Department Of Agriculture), in the aggregate principal amount not to exceed $1,500,000 (the "Bonds"), to permanently finance the costs of certain improvements and extensions to the existing public water system of the District (the "Project").

2. To consider and adopt a proposed Supplemental Resolution approving the terms and other provisions of the Bonds.

3. To consider and approve all other resolution documents and matters in connection with the Project.

This meeting is open to the press and the public and any person interested may attend such meeting.

/s/ Teddie R. Elliott
Secretary
9/25 1t

AFFIDAVIT OF PUBLICATION
BECKLEY NEWSPAPERS
BECKLEY, WEST VIRGINIA 25801

09/25/2014

STATE OF WEST VIRGINIA
COUNTY OF FAYETTE, to wit:

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

of NOTICE OF SPECIAL MEETING
(Description of notice)
was duly published in said newspaper once a week for 1 successive

weeks (Class 1), commencing with the issue of 09/25/2014

and ending with the issue of 09/25/2014, that said annexed notice was

published on the following dates: 09/25/2014,

and that the cost of publishing said annexed notice as aforesaid was $ 33.02

Signed Cody Lewis
Cody Lewis
Legal Advertising Clerk
Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this day:
09/25/2014

My commission expires March 27, 2021

Diana L. Slone
Notary Public of Raleigh County,
West Virginia

OFFICIAL SEAL
Notary Public, State of West Virginia
DIANA L. SLONE
Beckley Newspapers
P. O. Box 2398
Beckley, WV 25802
My commission expires March 27, 2021

COPY OF PUBLICATION

GAULEY RIVER PUBLIC SERVICE DISTRICT
NOTICE OF SPECIAL MEETING

The Public Service Board of Gauley River Public Service District (the "District") will hold a special meeting on October 8, 2014 at 10:00 a.m., prevailing time, at the District's office at 29 South Swiss Road, Swiss, West Virginia, for the following purposes:

1. To consider and adopt a proposed Bond Resolution authorizing its Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), in the aggregate principal amount not to exceed $1,500,000 (the "Bonds"), to permanently finance the costs of certain improvements and extensions to the existing public water system of the District (the "Project").

2. To consider and adopt a proposed Supplemental Resolution approving the terms and other provisions of the Bonds.

3. To consider and approve all other resolution documents and matters in connection with the Project.

This meeting is open to the press and the public and any person interested may attend such meeting.

Teddie R. Elliott
Secretary
9-25-THR-1-FT; LG 407

Clay County Free Press

136 Main Street, Clay, West Virginia 25043
304-587-4250

CERTIFICATE OF PUBLICATION

State of West Virginia
County of Greenbrier, SS:

I, **Anna Workman**, one of the Editors or Agents of the *Clay County Free Press*, a weekly newspaper of general circulation published at Clay, WV in the County of Clay, State of West Virginia, do certify that publication of the advertisement or advertisements **Water Revenue Bonds, Series 2014 A** attached hereto was made in ***1* issue(s)** of the newspaper, dated **September 24, 2014.**

Given under my hand this **24th day** of **September, 2014.**

Anna Workman
Editor or Publisher

$45.46
Publication fee

Subscribed and Sworn to before me
This 24 day of September, 2014
My commission expires: August 20, 2023.

Signature Kathy L S Hunter
Notary Public

NOTARY PUBLIC OFFICIAL SEAL
KATHY L S HUNTER
State of West Virginia
My Comm. Expires Aug 20, 2023
RR 2 Box 28 E Alderson WV 24910

IFIEDS

place your Classified ADs

NOTICES

FREE PRESS

E COMMISSION
VIRGINIA
ESTON

ce Commission of West Vir-
n on the 18th day of August

OMPANY
olidated purchased

S AND HEARING

Diamond Power Company
revised consolidated pur-
proceeding, is designed to
ients of purchasing power
sion review. Black Diamond
chased power surcharge of
posed to refund over-collec-
07 to customers over a five
e surcharge and proposed
l rate decrease of $792,310.
r an evidentiary hearing on
., at the offices of the Pub-
arleston. Interested persons
ake public comment.
petition to intervene should
to intervene within ten days
of notice. Failure to timely
your rights to protest or par-
All protests and requests to
l to Ingrid Ferrell, Executive
eston, WV 25323. The pub-
ectronically and review the
ine at http://www.psc.state.

Diamond Power Company

Legal Notice

IN THE CIRCUIT COURT OF CLAY COUNTY
In The Matter of Petition of Name Change of
Carla N. Dulaney — Civil Action No. 14-P-9
Judge Alsop
Current Name Carla Nichols Dulaney
To
New Name Carla Lea Truman
Legal Notice Of Publication
Change of Name
Order of Publication
Circuit Court Of Clay County
West Virginia

Notice is hereby given that on the 20th day of October, 2014, at 10:15 AM, or as soon thereafter as the matter can be heard, Petitioner Carla Truman will apply by Petition to the Circuit Court of Clay County, West Virginia, for the entry of an order by said court, changing name of Carla N. Dulaney to Carla Lea Truman at which time any interested party may appear and be heard, if they so desire.

A copy of said Petition can be obtained from the undersigned Clerk at his office.

ENTERED by the Clerk of said Court this 9th day of September, 2014.

Circuit Clerk of Clay County, WV

Legal Notice

GAULEY RIVER PUBLIC SERVICE DISTRICT
NOTICE OF SPECIAL MEETING

The Public Service Board of Gauley River Public Service District (the "District") will hold a special meeting on October 8, 2014, at 10:00 a.m., prevailing time, at the District's office at 29 South Swiss Road, Swiss, West Virginia, for the following purposes:

1. To consider and adopt a proposed Bond Resolution authorizing its Water Revenue Bonds, Series 2014 A (United States Department Of Agriculture), in the aggregate principal amount not to exceed $1,500,000 (the "Bonds"), to permanently finance the costs of certain improvements and extensions to the existing public water system of the District (the "Project").

2. To consider and adopt a proposed Supplemental Resolution approving the terms and other provisions of the Bonds.

3. To consider and approve all other resolution documents and matters in connection with the Project.

This meeting is open to the press and the public and any person interested may attend such meeting.

/s/ Teddie R. Elliott
Secretary

Legal Notice

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Case No. 14-0701-E-D
MONONGAHELA POWER COMPANY AND
THE POTOMAC EDISON COMPANY

AFFIDAVIT OF PUBLICATION

BECKLEY NEWSPAPERS
BECKLEY, WEST VIRGINIA 25801

09/25/2014

STATE OF WEST VIRGINIA
COUNTY OF FAYETTE, to wit:

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

of NOTICE OF SPECIAL MEETING
(Description of notice)
was duly published in said newspaper once a week for 1 successive

weeks (Class 1), commencing with the issue of 09/25/2014

and ending with the issue of 09/25/2014, that said annexed notice was

published on the following dates: 09/25/2014,

and that the cost of publishing said annexed notice as aforesaid was $ 33.02

Signed Cody Lewis
Cody Lewis
Legal Advertising Clerk
Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this day: 09/25/2014

My commission expires March 27, 2021

Diana L. Slone
Notary Public of Raleigh County, West Virginia

OFFICIAL SEAL
Notary Public, State of West Virginia
DIANA L. SLONE
Beckley Newspapers
P. O. Box 2396
Beckley, WV 25802
My commission expires March 27, 2021

COPY OF PUBLICATION

GAULEY RIVER PUBLIC SERVICE DISTRICT
NOTICE OF SPECIAL MEETING

The Public Service Board of Gauley River Public Service District (the "District") will hold a special meeting on October 8, 2014, at 10:00 a.m., prevailing time, at the District's office at 29 South Swiss Road, Swiss, West Virginia, for the following purposes:

1. To consider and adopt a proposed Bond Resolution authorizing its Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), in the aggregate principal amount not to exceed $1,500,000 (the "Bonds"), to permanently finance the costs of certain improvements and extensions to the existing public water system of the District (the "Project").
2. To consider and adopt a proposed Supplemental Resolution approving the terms and other provisions of the Bonds.
3. To consider and approve all other resolution documents and matters in connection with the Project.

This meeting is open to the press and the public and any person interested may attend such meeting.

Teddie R. Elliott
Secretary
9-25-THR-1-FT; LG 407

JACKSONKELLY
ATTORNEYS AT LAW PLLC

500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

DIRECT TELEPHONE: (304) 340-1214 DIRECT TELECOPIER: (304) 340-1080
E-Mail: snchambers@jacksonkelly.com
State Bar No. 694

November 14, 2013

Via Hand Delivery

Ms. Ingrid Ferrell, Director
Executive Secretary Division
Public Service Commission
of West Virginia
201 Brooks Street
Charleston, West Virginia 25323

03:05 PM NOV 14 2013 PSC EXEC SEC DIV

Re: Case No. 13-1119-PWD-CN
Gauley River Public Service District

Dear Ms. Ferrell:

By Commission Order entered in this case on October 28, 2013, Gauley River Public Service District was required to give revised notice to its customers of its proposed rates and the Staff recommended rates by publishing a Revised Notice of Filing in each of the counties in which Gauley River Public Service District provides service. A Revised Notice of Filing was provided with the Order for publication.

Gauley River Public Service District has completed publication of the Revised Notice of Filing as required. We have received, and enclose, the original and twelve copies of Affidavits of Publication confirming publication of the Revised Notice of Filing in Clay, Fayette and Nicholas counties. The filing of the enclosed Affidavits of Publication completes the Commission's publication requirements.

Please advise if you have any questions.

Sincerely,

Stephen N. Chambers

SNC/dmb
Enclosures
cc: Lisa L. Wansley, Esq. (w/enc.)
Russell G. Deering, Chairman (w/enc.)

{C2726626.1}

03:05 PM NOV 14 2013 PSC EXEC SEC DIV

Clay County Free Press
136 Main Street, Clay, West Virginia 25043
304-587-4250

CERTIFICATE OF PUBLICATION

State of West Virginia
County of Greenbrier, SS:

I, **Marti Marshall**, one of the Editors or Agents of the *Clay County Free Press*, a weekly newspaper of general circulation published at Clay, WV in the County of Clay, State of West Virginia, do certify that publication of the advertisement or advertisements **Case No. 13-1119-PWD-CN Gauley River Public Service District Revised Notice of Filing PSC of WV Charleston** attached hereto was made in 1 issue(s) of the newspaper, dated **November 6, 2013.**

Given under my hand this **6th day** of **November, 2013.**

Marti Marshall
Editor or Publisher

$ 190.94
Publication fee

Subscribed and Sworn to before me
This 6 day of November, 20 13
My commission expires: August 20, 2023.

Signature Kathy L S Hunter
Notary Public

NOTARY PUBLIC OFFICIAL SEAL
KATHY L S HUNTER
State of West Virginia
My Comm. Expires Aug 20, 2023
RR 2 Box 28 E Alderson WV 24910

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 13-1119-PWD-CN
GAULEY RIVER PUBLIC SERVICE DISTRICT
a public utility, Swiss, Nicholas County.

Application for a certificate of convenience and necessity to construct the third phase of a main extension project to extend water service from the Zela area to the intersection of West Virginia Route 19/21 (Jerry Fork)

REVISED NOTICE OF FILING

On July 26, 2013, Gauley River Public Service District filed a verified application for a certificate of convenience and necessity for Phase III of a project to construct extensions of existing water distribution infrastructure from the terminus of the Phase II extensions in the Zela area of Nicholas County along West Virginia Route 39 to the intersection of West Virginia Route 19/21 to connect with existing Gauley River Public Service District facilities; and for approval of project financing.

The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

Gauley River Public Service District estimates that construction will cost approximately $2,187,000. It is proposed that the construction will be financed as follows: USDA-Rural Utilities Service Grant in the amount of $460,630; USDA-Rural Utilities Service Grant in the amount of $486,730; and a USDA-Rural Utilities Service Loan in the amount of $1,240,000.

The following rates are those proposed by the District and those recommended by Commission Staff to be effective upon completion of the project:

RATES (Customers with metered water supply)	District	Staff-Recommended
	(per 1,000 gallons)	
First 3,000 gallons used per month	$ 14.12	$ 13.05
Next 3,000 gallons used per month	$ 13.24	$ 12.24
Next 4,000 gallons used per month	$ 12.38	$ 11.43
Next 10,000 gallons used per month	$ 11.50	$ 10.62
All Over 20,000 gallons used per month	$ 10.61	$ 9.80

MINIMUM CHARGE		District	Staff-Recommended
		(per month)	
5/8	-inch meter	$ 42.36	$ 39.15
3/4	-inch meter	$ 63.54	$ 58.73
1	-inch meter	$ 105.90	$ 97.88
1-1/2	-inch meter	$ 211.80	$ 195.75
2	-inch meter	$ 338.88	$ 313.20
3	-inch meter	$ 635.40	$ 626.40
4	-inch meter	$ 1,059.00	$ 978.75
6	-inch meter	$ 2,118.00	$ 1,957.50
8	-inch meter	$ 3,388.80	$ 3,132.00
10	-inch meter	$ 6,777.60	$ 4,502.25

The rates and charges set forth above are only proposals and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing.

Anyone desiring to protest or intervene should file a written protest or request to intervene within thirty (30) days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or request to intervene can affect your right to protest aspects of this certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or request to intervene. Requests to intervene must comply with the rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and requests to intervene should be addressed to Sandra Squire, Executive Secretary, P. O. Box 812, Charleston, West Virginia 25323.

In the absence of substantial protest received within thirty (30) days of this publication, the Commission may waive formal hearing and grant the application based on the Commission's review of the evidence submitted with the application.

GAULEY RIVER PUBLIC SERVICE DISTRICT

03:05 PM NOV 14 2013 PSC EXEC SEC DIV

AFFIDAVIT OF PUBLICATION
BECKLEY NEWSPAPERS
BECKLEY, WEST VIRGINIA 25801

11/04/2013

STATE OF WEST VIRGINIA 03:05 PM NOV 14 2013 PSC EXEC SEC DIV
COUNTY OF FAYETTE, to wit:

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

of REVISED NOTICE OF FILING
(Description of notice)
was duly published in said newspaper once a week for 1 successive

weeks (Class 1), commencing with the issue of 11/04/2013

and ending with the issue of 11/04/2013, that said annexed notice was

published on the following dates: 11/04/2013,

and that the cost of publishing said annexed notice as aforesaid was $ 142.69

Signed Cody Lewis
Cody Lewis
Legal Advertising Clerk
Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this day:
11/04/2013

My commission expires March 27, 2021

Diana L. Slone
Notary Public of Raleigh County, West Virginia

OFFICIAL SEAL
Notary Public, State of West Virginia
DIANA L. SLONE
Beckley Newspapers
P. O. Box 2398
Beckley, WV 25802
My commission expires March 27, 2021

COPY OF PUBLICATION

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 13-1119-PWD-CN

GAULEY RIVER PUBLIC SERVICE DISTRICT
a public utility, Swiss, Nicholas County.
Application for a certificate of convenience and necessity to construct the third phase of a main extension project to extend water service from the Zela area to the intersection of West Virginia Route 19/21 (Jerry Fork)

REVISED NOTICE OF FILING

On July 26, 2013, Gauley River Public Service District filed a verified application for a certificate of convenience and necessity for Phase III of a project to construct extensions of existing water distribution infrastructure from the terminus of the Phase II extensions in the Zela area of Nicholas County along West Virginia Route 39 to the intersection of West Virginia Route 19/21 to connect with existing Gauley River Public Service District facilities; and for approval of project financing.

The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

Gauley River Public Service District estimates that construction will cost approximately $2,187,000. It is proposed that the construction will be financed as follows: USDA-Rural Utilities Service Grant in the amount of $460,630; USDA-Rural Utilities Service Grant in the amount of $486,730; and a USDA-Rural Utilities Service Loan in the amount of $1,240,000.

The following rates are those proposed by the District and those recommended by Commission Staff to be effective upon completion of the project:

RATES (Customers with metered water supply)

	District (per 1,000 gallons)	Staff Recommended
First 3,000 gallons used per month	$14.12	$13.05
Next 3,000 gallons used per month	$13.24	$12.24
Next 4,000 gallons used per month	$12.38	$11.43
Next 10,000 gallons used per month	$11.50	$10.62
All Over 20,000 gallons used per month	$10.61	$9.80

MINIMUM CHARGE

	District (per month)	Staff Recommended
5/8 - inch meter	$42.36	$39.15
3/4 - inch meter	$63.54	$58.73
1 - inch meter	$105.90	$97.88
1-1/2 - inch meter	$211.80	$195.75
2 - inch meter	$338.88	$313.20
3 - inch meter	$635.40	$626.40
4 - inch meter	$1,059.00	$978.75
6 - inch meter	$2,118.00	$1,957.50
8 - inch meter	$3,388.80	$3,132.00
10 - inch meter	$6,777.60	$4,502.25

The rates and charges set forth above are only proposals and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing.

Anyone desiring to protest or intervene should file a written protest or request to intervene within thirty (30) days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or request to intervene can affect your right to protest aspects of this certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or request to intervene. Requests to intervene must comply with the rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and requests to intervene should be addressed to Sandra Squire, Executive Secretary, P. O. Box 812, Charleston, West Virginia 25323.

In the absence of substantial protest received within thirty (30) days of this publication, the Commission may waive formal hearing and grant the application based on the Commission's review of the evidence submitted with the application.

GAULEY RIVER PUBLIC SERVICE DISTRICT

11-4-MON-1-FT; LG 1132

The Nicholas Chronicle a division of Nicholas County Publishing Company Inc.

I, Raymond W. Corbin, News Editor of The Nicholas Chronicle, a weekly newspaper published at Summersville in the County of Nicholas, and the State of West Virginia, do certify that the hereto attached Legal Advertisement - Jackson & Kelly, 1600 Laidley Tower, P. O. 533, Charleston, West Virginia 25322; **GAULEY RIVER PUBLIC SERVICE DISTRICT - REVISED NOTICE OF FILING - PHASE III EXTENSION - ZELA AREA OF NICHOLAS COUNTY, CASE NO. 13-1119-PWD-CN** appeared in said newspaper for 1 week, on the 7th day of November, 2013.

Given under my hand this 7th day of November, 2013.

By Raymond W. Corbin, News Editor.

Fee for publication:

1,105 words @ $.12 per word, for a total cost of $132.60.

The foregoing instrument was acknowledged before me this the 7th day of November, 2013.

Matthew R. Yeager

Notary Public

My commission expires July 7, 2018.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
MATTHEW R. YEAGER
THE NICHOLAS CHRONICLE
718 BROAD STREET
SUMMERSVILLE, WV 26651
My commission expires July 7, 2018

03:05 PM NOV 14 2013 PSC EXEC SEC DIV

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 13-1119-PWD-CN

GAULEY RIVER PUBLIC SERVICE DISTRICT
a public utility, Swiss, Nicholas County.

Application for a certificate of convenience and necessity to construct the third phase of a main extension project to extend water service from the Zela area to the intersection of West Virginia Route 19/21 (Jerry Fork)

REVISED NOTICE OF FILING

On July 26, 2013, Gauley River Public Service District filed a verified application for a certificate of convenience and necessity for Phase III of a project to construct extensions of existing water distribution infrastructure from the terminus of the Phase II extensions in the Zela area of Nicholas County along West Virginia Route 39 to the intersection of West Virginia Route 19/21 to connect with existing Gauley River Public Service District facilities; and for approval of project financing.

The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

Gauley River Public Service District estimates that construction will cost approximately $2,187,000. It is proposed that the construction will be financed as follows: USDA-Rural Utilities Service Grant in the amount of $460,630; USDA-Rural Utilities Service Grant in the amount of $486,730; and a USDA-Rural Utilities Service Loan in the amount of $1,240,000.

The following rates are those proposed by the District and those recommended by Commission Staff to be effective upon completion of the project:

RATES (Customers with metered water supply)	District	Staff-Recommended (per 1,000 gallons)
First 3,000 gallons used per month	$14.12	$13.05
Next 3,000 gallons used per month	$13.24	$12.24
Next 4,000 gallons used per month	$12.38	$11.43
Next 10,000 gallons used per month	$11.50	$10.62
All Over 20,000 gallons used per month	$10.61	$ 9.80

MINIMUM CHARGE	District (per month)	Staff-Recommended
5/8 - inch meter	$ 42.36	$ 39.15
3/4 - inch meter	$ 63.54	$ 58.73
1 - inch meter	$105.90	$ 97.88
1-1/2 - inch meter	$211.80	$ 195.75
2 - inch meter	$ 338.88	$ 313.20
3 - inch meter	$ 635.40	$ 626.40
4 - inch meter	$1,059.00	$ 978.75
6 - inch meter	$2,118.00	$1,957.50
8 - inch meter	$3,388.80	$3,132.00
10 - inch meter	$6,777.60	$4,502.25

The rates and charges set forth above are only proposals and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing.

Anyone desiring to protest or intervene should file a written protest or request to intervene within thirty (30) days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or request to intervene can affect your right to protest aspects of this certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or request to intervene. Requests to intervene must comply with the rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and requests to intervene should be addressed to Sandra Squire, Executive Secretary, P. O. Box 812, Charleston, West Virginia 25323.

In the absence of substantial protest received within thirty (30) days of this publication, the Commission may waive formal hearing and grant the application based on the Commission's review of the evidence submitted with the application.

GAULEY RIVER PUBLIC SERVICE DISTRICT

11/7 1t

03:05 PM NOV 14 2013 RECEIVED

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 $1,240,000

FOR VALUE RECEIVED, on this 10th day of October, 2014, GAULEY RIVER PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Fayette, Nicholas and Clay Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of ONE MILLION TWO HUNDRED FORTY THOUSAND DOLLARS ($1,240,000), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 3.25% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of $4,750.00, 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 below. This consideration 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 the Issuer as requested by the Issuer 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.

SPECIMEN

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security 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 the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements and extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on October 8, 2014, and a Supplemental Resolution duly adopted by the Issuer on October 8, 2014 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230; (2) WATER REVENUE BONDS, SERIES 1993, DATED MARCH 17, 1993, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,600,000; (3) WATER REVENUE BONDS, SERIES 1997 A, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $414,000; (4) WATER REVENUE BONDS, SERIES 1997 B, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $57,000; (5) WATER REVENUE BONDS, SERIES 2005 A, DATED NOVEMBER 2, 2005, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,623,000; (6) WATER REVENUE BONDS, SERIES 2007 A, DATED NOVEMBER 13, 2007, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $354,818; (7) WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MARCH 25, 2010, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $2,150,000; AND (8) WATER REVENUE BONDS, SERIES 2012 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MARCH 7, 2012, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,839,000 (COLLECTIVELY, THE "FIRST LIEN BONDS").

SPECIMEN

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "SERIES 1986 B BONDS"). THE FIRST LIEN BONDS AND THE SERIES 1986 B BONDS ARE COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the First Lien Bonds and senior and prior to the pledge of Net Revenues in favor of the registered owners of the Series 1986 B Bonds, and from moneys in the reserve account created under the Resolution for this Bond (the "Series 2012 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2014 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on this Bond and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2014 A Bonds Reserve Account, an amount equal to the maximum amount of principal and interest which will become due on this Bond in any year, and in the respective reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner of this Bond for the terms of which reference is made to the Resolution. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements in the Resolution, this Bond is transferable, as provided in the Resolution, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

SPECIMEN

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

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

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

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

NUMBER
AR-1

IN WITNESS WHEREOF, GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

SPECIMEN

Chairperson

[SEAL]

ATTEST:

SPECIMEN

Secretary

NUMBER
AR-1

SPECIMEN

Form of

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $210,853.73	10/10/14	(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

NUMBER
AR-1

(Form of)

SPECIMEN

ASSIGNMENT

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

Dated: _____, __.

_____

In the presence of:

_____

BOND REGISTER

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

Bond Number	Principal Amount	Date of Bond
No. AR-1	$1,240,000	October 10, 2014

NO WRITING ON THIS BOND REGISTER EXCEPT BY THE REGISTRAR

Name of Registered Owner:

United States of America
National Finance Office
1520 Market Street
St. Louis, Missouri 63103

Signature of Registrar:

Gauley River Public Service District

Secretary

1986

BOND RESOLUTION

GAULEY RIVER PUBLIC SERVICE DISTRICT

INDEX

		PAGE
Article I	DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS	1
Section 1.01.	Definitions	1
Section 1.02.	Authority of this Resolution	8
Section 1.03.	Findings	8
Section 1.04.	Resolution Constitutes Contract	9
Article II	AUTHORIZATIONS OF ACQUISITION AND CONSTRUCTION OF PROJECT	10
Section 2.01.	Authorization of Project	10
Article III	AUTHORIZATIONS, TERMS, EXECUTION AND REGISTRATION OF BONDS	10
Section 3.01.	Authorization and Terms of Original Bonds	10
Section 3.02.	Execution of Bonds	11
Section 3.03.	Authentication and Registration	11
Section 3.04.	Negotiability, Transfer and Registration	12
Section 3.05.	Bonds Mutilated, Destroyed, Stolen or Lost	13
Section 3.06.	Bonds not to be Indebtedness of the District	13
Section 3.07.	Bonds Secured by Pledge of Net Revenues; Supplemental Bonds to be Junior and Subordinate to Primary Bonds	13
Section 3.08.	Form of Original Bonds	14
Section 3.09.	Sale of Original Bonds; Execution of WDA Loan Agreements	25
Article IV	SYSTEM REVENUES AND APPLICATION THEREOF	25
Section 4.01.	Establishment of Funds and Accounts with Depository Bank	25
Section 4.02.	Establishment of Funds and Accounts with Commission	25
Section 4.03.	System Revenues; Flow of Funds	25
Section 4.04.	Excess Bond Proceeds	30

		PAGE
Article V	APPLICATION OF ORIGINAL BOND PROCEEDS; FUNDS AND ACCOUNTS.....	30
Section 5.01.	Application of Original Bond Proceeds.....	30
Section 5.02.	Bond Construction Trust Fund; Capitalized Interest Account.....	30
Article VI	ADDITIONAL COVENANTS OF THE DISTRICT.....	31
Section 6.01	General Covenants of the District.....	31
Section 6.02	Bonds Not to Be Indebtedness of the District.....	31
Section 6.03	Bonds Secured by Pledge of Net Revenues.....	31
Section 6.04	Rates.....	32
Section 6.05	Completion, Operation and Maintenance.....	33
Section 6.06	Sale of the System.....	33
Section 6.07	Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances.....	34
Section 6.08	Parity Bonds.....	35
Section 6.09	Insurance.....	37
Section 6.10	Services Rendered to the District.....	38
Section 6.11	Enforcement of Collections.....	38
Section 6.12	No Competing Franchise.....	39
Section 6.13	Books and Records.....	39
Section 6.14	Initial Schedule of Rates.....	40
Section 6.15	Operating Budget.....	40
Section 6.16	Connection.....	40
Section 6.17	Covenant to Amend Resolution.....	41
Section 6.18	Essential Governmental Function Bonds....	41
Article VII	INVESTMENT OF FUNDS.....	41
Section 7.01	Investments.....	41
Section 7.02	Restrictions as to Arbitrage Bonds.....	42
Article XIII	DEFAULT AND REMEDIES.....	42
Section 8.01	Events of Default.....	42
Section 8.02	Remedies.....	43
Section 8.03	Appointment of Receiver.....	43

PAGE

ARTICLE IX DEFEASANCE..... 44

Section 9.01 Defeasance of Primary Bonds..... 44
Section 9.02 Defeasance of Supplemental Bonds..... 45

ARTICLE X MISCELLANEOUS..... 46

Section 10.01 Modification or Amendment..... 46
Section 10.02 Severability of Invalid Provisions..... 47
Section 10.03 Repeal of Conflicting Resolutions..... 47
Section 10.04 Covenant of Due Procedure..... 47
Section 10.05 Effective Date..... 47

Exhibit A

Exhibit B

BOND RESOLUTION

Introduced on

April 30, 1986

Introduced by

Russel Deering

Passed by Board

April 30, 1986

A Resolution authorizing the acquisition and construction of, and operation and maintenance of, certain public service properties constituting water facilities all within the Gauley River Public Service District; authorizing the issuance of not more than $200,000 in aggregate principal amount of Waterworks Revenue Bonds, Series 1986, and not more than $100,000 in aggregate principal amount of Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, of said Gauley River Public Service District to be used, along with other funds and moneys of, or available to, the Gauley River Public Service District which may be lawfully expended for such purposes, to finance the cost of such acquisition and construction, to pay interest during construction, to pay other costs in connection therewith and if determined by supplemental resolution to fund reserve accounts for such bonds; establishing rates for use of System; providing for the rights and remedies of and security for the owners of such bonds; and adopting other provisions related thereto.

Be It Resolved by the Public Service Board of the Gauley River Public Service District, situated in Fayette, Nicholas and Clay Counties, West Virginia:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. The following terms shall have the following meanings in this Resolution unless the context expressly requires otherwise:

A. "Act" shall mean Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended and in effect on the date of enactment of this Resolution.

B. "Authority" shall mean the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

C. "Board" shall mean the public service board of the District.

D. "Bond Construction Trust Fund" shall mean the fund created by Section 4.01(3) hereof.

E. "Bondholder" or "Owner of the Bonds" or "Owner" or any similar term shall mean any person who shall be the registered owner of any outstanding Primary Bond or Supplemental Bond, as the case may be.

F. "Bonds" shall mean collectively, the Primary Bonds and the Supplemental Bonds, both as hereinafter defined.

G. "Chairman" shall mean the Chairman of the Public Service District or any acting chairman duly appointed by the District.

H. "Code" shall mean the Internal Revenue Code of 1954, as amended.

I. "Commission" shall mean the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Commission.

J. "Consulting Engineers" shall mean Appalachian, Hart & Milam, Inc., Consulting Engineers, Dunbar, West Virginia, or any engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineers for the System as hereinafter defined.

K. "Cost of Project" shall mean those costs described in Section 1.03(D) hereof to be a part of the cost of the acquisition and construction of the Project, as hereinafter defined.

L. "Depository Bank" shall mean the bank designated as such in the Supplemental Resolution, as hereinafter defined, and its successors and assigns.

M. "District" shall mean the Gauley River Public Service District.

N. "Event of Default" shall mean any occurrence or event specified in Section 8.01.

O. "FDIC" shall mean the Federal Depository Insurance Corporation or any successor thereto.

P. "Fiscal Year" shall mean each twelve month period beginning on July 1 and ending on the succeeding June 30.

Q. "Government Obligations" shall mean (i) direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

R. "Gross Revenues" shall mean the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or any Service Connection Fees, as hereinafter defined, and for the furnishing by the District of miscellaneous service.

S. "Independent Accountants" shall mean any certified public accountant or firm of certified public accountants which shall be retained by the District as independent accountants for the System.

T. "Loan Agreement" shall mean the Loan Agreement between the Authority and the District, in substantially the form attached as Exhibit B hereto and incorporated herein by reference, providing for the purchase of the Primary Bonds originally authorized hereby from the District by the Authority.

U. "Net Revenues" shall mean the balance of the Gross Revenues remaining after deduction of Operating Expenses, as hereafter defined.

V. "Operating Expenses" shall mean the reasonable, proper and necessary costs of maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Registrar and Paying Agent (both as hereinafter defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles;

provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest, if any, on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

W. "Original Bonds" or "Bonds originally authorized hereby" or similar phrases shall mean, collectively, the Primary Bonds and the Supplemental Bonds issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted hereby and more particularly authorized by a resolution supplemental hereto.

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

Y. "Parity Bonds" shall mean additional Bonds issued under the provisions and within the limitations prescribed by Section 6.08 hereof.

Z. "Paying Agent" shall mean the bank or banks or other entities designated in a resolution supplemental hereto.

AA. "Primary Bonds" shall mean the not more than $200,000 in aggregate principal amount of Waterworks Revenue Bonds, Series 1986, originally authorized by this Resolution and any pari passu additional Bonds hereafter issued within the terms, restrictions and conditions contained herein.

BB. "Program" shall mean the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

CC. "Project" shall mean the acquisition and construction of the new waterworks system described in Exhibit A attached hereto.

DD. "PSC" shall mean the Public Service Commission of West Virginia or any other agency of the State that succeeds the functions of the PSC.

EE. "Qualified Investments" shall mean and include any of the following:

(a) Government Obligations;

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

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d), 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 <u>provided further</u> that the owner 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; and

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended, provided that investments by such fund (or portion thereof) on behalf of the District may only be in Qualified Investments other than the those described in this paragraph (g).

FF. "Record Date" shall mean the 15th day of the month preceding any interest payment date (or, with respect to noninterest-bearing Bonds, any principal payment date) on the Bonds issued hereunder.

GG. "Registrar" shall mean the bank or banks or other entity designated as such in a resolution supplemental hereto.

HH. "Renewal and Replacement Fund" shall mean the fund created by Section 4.01(2) hereof.

II. "Reserve Account" shall mean the account in the Sinking Fund, as hereinafter defined, created by Section 4.02 (1)(a) hereof.

JJ. "Reserve Account Requirement" shall mean, as of any date of calculation, the maximum amount of principal and interest which will mature and come due on the Primary Bonds in the then current or any succeeding year.

KK. "Revenue Fund" shall mean the the fund created by Section 4.01(1) hereof.

LL. "Secretary" shall mean the Secretary of the District or any acting secretary duly appointed by the District.

MM. "Service Connection Fees" shall mean the fees, if any, paid by prospective customers of the System in order to connect thereto.

NN. "Sinking Fund" shall mean the fund created by Section 4.02(1) hereof.

OO. "State" shall mean the State of West Virginia.

PP. "Supplemental Bonds" shall mean the not more than $100,000 in aggregate principal amount of Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, originally authorized by this Resolution and any pari passu additional Supplemental Bonds hereinafter issued within the terms, resolutions and conditions contained herein.

QQ. "Supplemental Loan Agreement" shall mean the Supplemental Loan Agreement between the Authority and the District, in substantially the form attached as Exhibit C hereto and incorporated herein by reference, providing for the purchase of the Supplemental Bonds originally authorized hereby from the District by the Authority.

RR. "Supplemental Reserve Account" shall mean the account established in the Supplemental Sinking Fund pursuant to Section 4.02(2)(a) hereof.

SS. "Supplemental Reserve Requirement" shall mean as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Supplemental Bonds in the then current or any succeeding year.

TT. "Supplemental Resolution" shall mean any resolution or order of the District supplementing or amending this Resolution and, when preceded by the article "the", refers specifically to the supplemental resolution authorizing the sale of the Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Original Bonds and not so included may be included in another Supplemental Resolution.

UU. "Supplemental Sinking Fund" shall mean the fund established by Section 4.02(2) hereof.

VV. "System" shall mean the Project and any extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without said District.

WW. "WDA Loan Agreements" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement.

XX. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations. Words importing the masculine gender include all other genders.

YY. Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with general accepted accounting principles.

ZZ. The terms "herein", "hereunder", "hereby", "hereto", "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of the enactment of this Resolution.

Aa. Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority of this Resolution. This Resolution is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The residents of the District have no public water service available to them, and the District has determined that their current sources of water are inadequate.

B. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the District that there be acquired and constructed a waterworks system at an estimated cost of $1,174,980, in accordance with the plans and specifications prepared and revised by Consulting Engineers, which plans and specifications are on file with the District, and which Project is generally described in Exhibit A attached hereto and by this reference made a part hereof and has an estimated useful life in excess of forty (40) years.

C. The estimated revenues to be derived in each year after the enactment of this Resolution from the operation of said System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Original Bonds and all sinking fund and other payments provided for in this Resolution.

D. It is deemed necessary for the District to issue its Original Bonds to finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of the acquisition of any real property involved; the cost of the construction of the Project and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for fiscal or other agents in connection with the issuance of the Original Bonds; interest on the Primary Bonds prior to, during and for 6 months after completion of construction of the Project; and such other expenses as may be necessary or desirable to said acquisition and construction of the Project authorized by this Resolution and the financing authorized by this Resolution.

E. It is in the best interests of the District that its Original Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement and the Supplemental Loan Agreement between the District and the Authority.

F. There are not outstanding any obligations of the District which will rank prior to or on a parity with the Original Bonds as to lien and source of and security for payment.

G. The District has compiled with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Original Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal having expired.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Original Bonds and such other bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the District and such Bondholders, and the covenants and agreements herein set forth to be performed by said District shall be for the equal benefit, protection and security of the legal owners of any and all of such Primary Bonds or of such Supplemental Bonds, as the case may be, all of which Primary Bonds and Supplemental Bonds, respectively, shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, as the case may be, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Project. There is hereby authorized the acquisition and construction of the Project in accordance with plans and specifications therefor prepared by the Consulting Engineers.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

Section 3.01. Authorization and Terms of Original Bonds. For the purpose of financing a portion of the costs of the acquisition and construction of the Project not otherwise provided for, there shall be issued the Original Bonds of the

District. The Original Bonds shall be issued in two issues, to be designated, respectively, "Waterworks Revenue Bonds, Series 1986" in an aggregate principal amount of not more than $200,000, and "Supplemental Subordinate Waterworks Revenue Bonds, Series 1986," in an aggregate principal amount of not more than $100,000. The Original Bonds shall be dated as of the date of delivery thereof, shall mature on October 1 in such years, not exceeding forty (40) years after the date of issuance; and in such amounts as shall be set out in the respective Schedule X to the WDA Loan Agreements. The Primary Bonds shall bear interest at the rate of 9.75 percent per annum, payable semiannually on April 1 and October 1 of each year, beginning on the first interest payment date following issuance and delivery of the Original Bonds. The Supplemental Bonds bear no interest. The Original Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the WDA Loan Agreements and as the Board shall prescribe by resolution (or by supplemental or amendatory resolution of said District as said District shall determine) adopted in connection with the sale of such Original Bonds.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as its appears on the books of the Registrar, provided, that so long as the Authority is the owner thereof, interest on the Primary Bonds may be paid by wire transfer or other methods satisfactory to the District, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each issue, fully registered to the Authority, with a payment record attached, representing the aggregate principal amount of each issue, and shall mature in principal installments, all as provided in the WDA Loan Agreements and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Owner for other fully registered Bonds in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in a said Supplemental Resolution and shall bear interest from such date.

Section 3.02. Execution of Bonds. Said Bonds shall be executed in the name of the District by the Chairman, and the seal of the District shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the District before the Bonds so signed and sealed have been sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office in the District, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.08, shall have been manually executed by the Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive owner, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the District, through the Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging Bonds or transferring Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Registrar. For every such exchange or transfer of Bonds, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Registrar incurred in connection therewith, which sum or sums shall be paid by the District. The Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period beginning on the Record Date and ending on the day preceding the applicable interest payment date or principal payment date or, in the case of any proposed redemption of Bonds, on or after the date of the selection of Bonds to be redeemed.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bonds shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver, and the Registrar shall authenticate, a new Bond in exchange and substitution for such mutilated Bonds, upon surrender and cancellation of such mutilated Bonds, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Owner's furnishing the District and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District and the Registrar may prescribe and paying such expenses as the District and the Registrar may incur. All Bonds so surrendered shall be cancelled by the Registrar and held for the account of the District. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen, or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the District, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other Bonds issued hereunder provided that any such duplicate Bonds must be authenticated by the Registrar as set forth in Section 3.03 hereof.

Section 3.06. Bonds not to be Indebtedness of the District. The Bonds shall not, in any event, be or constitute an indebtedness of the District within the meaning of any constitutional or statutory provision or limitation, but shall

be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Owner or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the District to pay the Bonds or any interest thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues; Supplemental Bonds to be Junior and Subordinate to Primary Bonds. The payment of the debt service of all the Primary Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The payment of the debt service of all the Supplemental Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Owners of the Primary Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the sinking funds and the reserve accounts therein and in the Renewal and Replacement Fund hereinafter established, are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due.

Section 3.08. Form of Original Bonds. The text of the Primary Bonds and the Supplemental Bonds shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution or any subsequent resolution or ordinance adopted or enacted prior to the issuance thereof.

[FORM OF THE PRIMARY BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTIES OF FAYETTE, NICHOLAS AND CLAY
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATERWORKS REVENUE BOND,
SERIES 1986

No. R-1 $123,230

KNOW ALL MEN BY THESE PRESENTS: That the GAULEY RIVER PUBLIC SERVICE DISTRICT, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia in Fayette, Nicholas and Clay Counties of said State (the "District"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority "), or registered

assigns, the sum of One Hundred Twenty-three Thousand Two Hundred Thirty Dollars ($123,230), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum of 9.75%.

The interest rate on each installment shall run from the date of this Bond until payment of such installment, and such interest shall be payable on the 1st day of April and the 1st day of October in each year beginning October 1, 1986. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the principal corporate trust office of The Gauley National Bank, Gauley Bridge, West Virginia, as registrar and paying agent (the "Registrar"). The interest on this Bond is payable by check or draft mailed to the Authority at the address as it appears on the books of the Registrar on the 15th day of the month preceding an interest payment date or by such other method as shall be mutually agreeable so long as the Authority is registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and as otherwise provided by the Loan Agreement, dated as December 18, 1985, between the District and the Authority.

This Bond represents the entire series or is one of a series of bonds entitled "Waterworks Revenue Bonds", issued by the District in the aggregate principal amount of $123,230 (the "Bonds") to pay costs of acquisition and construction of a new public waterworks system of the District (the "Project") and to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the District on the 30th day of April, 1986, and a Supplemental Resolution adopted by the District on the 30th day of April, 1986 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

This Bond is issued contemporaneously with the Supplemental Subordinate Waterworks Revenue Bonds, Series 1986 of the District (the "Supplemental Bonds"), issued in the

aggregate principal amount of $61,350, which Supplemental Bonds are junior and subordinate with respect to liens and sources of and security for payment of the Bonds of this issue.

This Bond is payable only from and secured by a first lien on and pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution, the District has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, _____

---

such percentage may be reduced to 110%. The District has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of the Registrar, kept for that purpose at the office of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements, 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.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Resolution or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

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

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

IN WITNESS WHEREOF, the GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be affixed and attested by its Secretary, and has caused this Bond to be dated May 2, 1986.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Waterworks Revenue Bonds, Series 1986 described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above.

THE GAULEY NATIONAL BANK,
as Registrar

By _____
Its Authorized Officer

Dated: _____

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

_____

_____

_____

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

[FORM OF THE SUPPLEMENTAL BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTIES OF FAYETTE, NICHOLAS AND CLAY
GAULEY RIVER PUBLIC SERVICE DISTRICT
SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BOND,
SERIES 1986

No. SR-1 $61,350

KNOW ALL MEN BY THESE PRESENTS: That the GAULEY RIVER PUBLIC SERVICE DISTRICT, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia, in Fayette, Nicholas, and Clay Counties of said State, (the "District"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority"), or respected assigns, the sum of Sixty-one Thousand three hundred fifty ($61,350), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the principal corporate office of The Gauley National Bank, Gauley Bridge, West Virginia, as registrar and paying agent (the "Registrar"). This Bond bears no interest.

This Bond may be redeemed prior to its stated date of maturity in whole or in part but only with the express written consent of the Authority and as otherwise provided by the Supplemental Loan Agreement, dated December 18, 1985, between the District and the Authority.

This Bond represents the entire series or is one of a series of bonds entitled "Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, issued by the District in the aggregate principal amount of $61,350 (the "Bonds") to pay costs of acquisition and construction of the new public waterworks system of the District (the "Project") and to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly adopted by the District on the 30th day of April, 1986, and a Supplemental Resolution adopted by the District on the 30th day of April, 1986 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

This Bond is issued contemporaneously with the Waterworks Revenue Bonds, Series 1986, of the District (the "Primary Bonds") issued in the aggregate principal amount of $123,230, which Primary Bonds rank prior with respect to liens and sources of and security for payment to the Bonds of this issue.

This Bond is payable only from and secured by a second lien on and pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, nor shall the District be obligated to pay the same except from said special fund provided from the

Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution, the District has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, such percentage may be reduced to 110%. The District has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of the Registrar, kept for that purpose at the office of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements, 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.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Resolution and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond; provided that such lien on moneys deposited in the Bond Construction Trust Fund created by the Resolution shall be subordinate to that of the Primary Bonds.

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

All provisions of the Resolution, resolutions and statutes under which this Bond is issued shall be deemed to be

a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be affixed and attested by its Secretary, and has caused this Bond to be dated May 2, 1986.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Supplemental Subordinate Waterworks Revenue Bonds, Series 1986 described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above.

THE GAULEY NATIONAL BANK,
as Registrar

By _____
Its Authorized Officer

Date: _____

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

_____

_____

_____

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.09. Sale of Original Bonds; Execution of WDA Loan Agreements. The Original Bonds shall be sold to the Authority, pursuant to the respective terms and conditions of the WDA Loan Agreements. The District hereby ratifies and certifies the execution of the Loan Agreement by the Chairman and the Secretary. The WDA Loan Agreements are specifically incorporated into this Resolution.

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF

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:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Bond Construction Trust Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Sinking Fund;

(a) Within the Sinking Fund, the Reserve Account.

(2) Supplemental Sinking Fund;

(a) Within the Supplemental Sinking Fund, the Supplemental Reserve Account.

Section 4.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the District and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) First, from the moneys in the Revenue Fund, the District shall pay all Operating Expenses of the System.

(2) Thereafter, from the money in the Revenue Fund, the District shall on the first day of each month, commencing seven months prior to the first date of payment of

interest on the Primary Bonds from Net Revenues, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Primary Bonds on the next ensuing semiannual interest payment date, with a credit to the deposit immediately preceding the interest payment for any amounts already on deposit therein.

(3) The District shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Primary Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Primary Bonds on the next ensuing principal payment date, with a credit to the deposit immediately preceding the principal payment for any amounts already on deposit therein and not credited pursuant to paragraph (2) above.

(4) The District shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account, an amount equal to 1/120th of the Reserve Account Requirement; provided, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Account Requirement.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Primary Bonds as the same shall become due. Moneys in the Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Primary Bonds, as the same shall come due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose. All investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Project and, thereafter, to the Sinking Fund.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to below the Reserve Account Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Sinking Fund for payment of debt service on the Primary Bonds have been made in full.

(5) From the moneys remaining in the Revenue Fund, the District shall next, on the first day of each month, commencing the month succeeding the first full calendar month after completion of the Project, transfer to the Renewal and Replacement Fund a sum equal to 2-1/2% of the Gross Revenues

each month, exclusive of payments for account of the Reserve Account in the Sinking Fund. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the District or of the Depository Bank and shall be invested and reinvested in accordance with Article VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 4.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The District shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Supplemental Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Supplemental Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Supplemental Bonds on the next ensuing principal payment date, with a credit to the deposit or deposits immediately preceding the principal payment for any amounts already on deposit therein.

(7) The District shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Supplemental Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Supplemental Reserve Account, an amount equal to 1/120th of the Supplemental Reserve Requirement; provided, that no further payments shall be made into the Supplemental Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Supplemental Reserve Requirement.

Moneys in the Supplemental Sinking Fund shall be used only for the purposes of paying debt service on the Supplemental Bonds as the same shall become due. Moneys in the Supplemental Reserve Account in the Supplemental Sinking Fund shall be used only for the purpose of paying debt service on the Supplemental Bonds, as the same shall come due, when other moneys in the Supplemental Sinking Fund are insufficient therefor, and for no other purpose. All investment earnings on moneys in the Supplemental Reserve Account shall be transferred, no less than once each year, to the Bond Construction Trust Fund prior to completion of the Project, and thereafter to the Supplemental Sinking Fund.

Any withdrawals from the Supplemental Reserve Account which result in a reduction in the balance of the Supplemental Reserve Account to below the Supplemental Reserve Requirement

shall be subsequently restored from the first Net Revenues available after all required payments prescribed above have been made in full.

B. As and when additional Bonds ranking on a parity with the Primary Bonds or the Supplemental Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay any interest on such additional Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Account in an amount equal to the respective Reserve Requirement.

The Commission is hereby designated as the fiscal agent for the administration of the respective Sinking Funds created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Commission from the Revenue Fund by the District at the times provided herein.

The payments into the respective Sinking Funds shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, 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 Resolution.

Moneys in the respective Reserve Accounts shall be invested and reinvested by the Commission in accordance with Article VII hereof.

The respective Sinking Funds, including the respective Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity with either thereof that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the respective Sinking Funds, including the Reserve Accounts therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the District.

D. The District shall remit from the Revenue Fund to Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall

require, such additional sums as shall be necessary to pay any Depository Bank's charges and the Paying Agent fees then due.

E. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund 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.

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

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

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

Section 4.04. Excess Bond Proceeds. The ~~City~~ District shall place any excess proceeds from Bonds not required by the Project in the Reserve Account.

ARTICLE V

APPLICATION OF ORIGINAL BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 5.01. Application of Original Bond Proceeds. From the moneys received from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. The amount of the proceeds which shall be at least sufficient to pay interest on the Primary Bonds for the period specified in the Supplemental Resolution shall be deposited in the Capitalized Interest Account created in Section 5.02 hereof; provided, that such period may not extend beyond the date which is six months after the estimated date of completion of construction of the Project.

B. The remaining moneys derived from the sale of the Original Bonds shall be deposited by the District in the Bond Construction Trust Fund.

Section 5.02. Bond Construction Trust Fund; Capitalized Interest Account. The Bond Construction Trust Fund shall be kept separate and apart from all other funds of the District and used and applied by the District solely for the payment of the Costs of the Projects, and for no other purposes whatsoever. The moneys in said fund shall be secured at all times by the deposit in such bank, as security, of direct obligations of the United States of America having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. Any moneys not needed immediately for said purposes may, with the consent of the Consulting Engineers, be invested in Qualified Investments having maturities of not more than one year. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to, such purposes, then such unapplied proceeds shall be deposited by the District in the Reserve Accounts established pursuant to this Resolution and shall be used only as provided herein for said fund. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Owners of the Original Bonds with the lien on behalf of the Supplemental Bonds being subordinate to that of the Primary Bond.

Expenditures or disbursements from said Bond Construction Trust Fund, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Original Bonds, shall be made only after such expenditures or disbursements shall have been approved in writing by the Board and the Consulting Engineers.

There is hereby created and established within the Bond Construction Trust Fund a special account to be known as the "Capitalized Interest Account"; except as provided hereinafter, the funds of which account shall be kept separate and apart from all other funds of the District and used and applied to pay the interest on the Bonds during construction and for six months thereafter. Investment earnings on the Capitalized Interest Account shall be transferred monthly to the Bond Construction Trust Fund and used for Costs of the Project.

ARTICLE VI

ADDITIONAL COVENANTS OF THE DISTRICT

Section 6.01. General Covenants of the District. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the District and shall be enforceable in any court of competent jurisdiction by any Owner or Owners of the Bonds. In addition to the other covenants, agreements and provisions of this

Resolution, the District hereby covenants and agrees with the owners of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is outstanding and unpaid.

Section 6.02. Bonds Not To Be Indebtedness of the District. The Bonds shall not be or constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, or from the respective Reserve Accounts, as herein provided. No Owner or Owners of any Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power, if any, of the District to pay said Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Primary Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, and payment of the debt service of the Supplemental Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the Primary Bonds, to the extent necessary to make the payments required under Section 4.03 of this Resolution. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Bonds herein authorized, and to make the payments into the respective Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the principal of and any interest on the Bonds herein authorized as the same become due and for the other purposes provided in this Resolution.

Section 6.04. Rates. The District hereby establishes the rates and charges of the System as set forth in Exhibit B hereto, said Exhibit B being incorporated herein and made a part hereof, said rates and charges being the rates and charges approved by the PSC and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The rates and charges shall be effective as prescribed by the rules and regulations of the PSC. The schedule of rates and charges shall at all times to be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance

of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the District hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation and maintenance of the System and (ii) to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Primary Bonds and the Supplemental Bonds and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Primary Bonds and prior to or on a parity with the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Primary Bonds and for the payment of debt service on the Supplemental Bonds are funded, respectively, at an amount at least equal to the maximum amount of principal and interest which will come due on the Primary Bonds in any year or on the Supplemental Bonds in any year, as the case may be, and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Primary Bonds and the Supplemental Bonds and any such prior or parity obligations.

Section 6.05. Completion, Operation and Maintenance. The District will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Resolution.

Section 6.06. Sale of the System. The System may be sold, mortgaged, leased, or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully to pay or redeem at or prior to maturity all the Bonds Outstanding. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Sinking Funds, and the District shall direct the Commission to apply such proceeds to the payment of principal and any interest at maturity of Bonds about to mature and to the redemption prior to maturity, at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the District by the Commission unless necessary for the payment of other obligations of the District payable out of the revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or

otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of ten thousand dollars ($10,000), the District shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the District may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $10,000 but not in excess of $50,000, the District shall first, in writing, determine with the written approval of the Consulting Engineer that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the District may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $10,000 and not in excess of $50,000, shall be remitted by the District to the Commission for deposit in the appropriate Sinking Funds and shall be applied only to the redemption of Bonds of the last maturities then outstanding or to the purchase of Bonds of the last maturities then outstanding at prices not greater than the redemption price of such Bonds; provided that as long as the Authority is the Owner of the Bonds, no Bonds may be redeemed without the Authority's written consent. Such payments of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of fifty thousand dollars ($50,000) and insufficient to pay or redeem prior to maturity the Bonds then outstanding without the prior approval and consent in writing of the owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66-2/3%) in amount of the Bonds then outstanding. The District shall prepare the form of such approval and consent for execution by the then Owners of the Bonds, for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever, except pari passu additional Bonds provided for in Section 6.08 hereof, payable from the revenues of the System which rank

prior to, or equally, as to lien on and source of and security for payment from such revenues with the Supplemental Bonds or, if no Supplemental Bonds are outstanding, with the Primary Bonds; provided, however, that additional Parity Bonds may be issued as provided in Section 6.08 hereafter. All obligations hereafter issued by the District payable from the revenues of the System, except such additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds to the extent such are Outstanding, and, so long as any Primary Bonds are Outstanding, all Parity Bonds on a parity with the Supplemental Bonds shall contain an express statement that such Parity Bonds are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Primary Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the respective Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the District shall not create, or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to said pari passu additional Bonds, being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution or upon the System or any part thereof.

Section 6.08. Parity Bonds. No Parity Bonds payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided.

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

Except as provided herein, no bonds on parity with the Primary Bonds shall be issued so long as any Supplemental Bonds are Outstanding. No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineer, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18)

months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The Original Bonds then Outstanding;

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

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

The "estimated average increased annual net revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the District, the time for appeal of which shall have expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineer, which shall be filed with the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineer and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineer and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the District, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the District shall have entered into written contracts for the immediate acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

All the covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the owners of the Primary Bonds and the owners of any Parity Bonds and of the owners of the Supplemental Bonds and the Parity Supplemental Bonds subsequently issued from time to time within the limitations of and in compliance with this Section. All the Primary Bonds, regardless of the time or times of their issuance, and all the

Supplemental Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the Net Revenues of the System, and their respective sources of and security for payment from said Net Revenues, without preference of any Primary Bond over any other or any Supplemental Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such additional Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the outstanding Primary Bonds and Supplemental Bonds on such revenues.

Parity Bonds shall be not issued at any time unless all the payments into the respective funds and accounts provided for in this Resolution and the Bonds then outstanding, and any other payments provided for in this Resolution, shall have been made in full as required to the date of delivery of the Parity Bonds.

Notwithstanding the foregoing, the District may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and anything to the contrary in Section 6.07 or this Section 6.08 notwithstanding, Bonds on a parity with the Primary Bonds and with the Supplemental Bonds may be authorized and issued by the District pursuant to Supplemental Resolution solely to complete the Project as described in the District's Program application to the Authority and in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Project; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the

Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 6.09. Insurance. The District will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. In time of war, the District shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The District will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The District shall carry such other insurance as is required by the Authority.

Section 6.10. Services Rendered to the District. The District will not render or cause to be rendered any free services of any nature by its System nor will any preferential rates be established for uses of the same class; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail itself or himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The District will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System to all users of the System delinquent in payments of charges for the services of the System and will not restore the services of the System until all delinquent charges for the services of the System have been fully paid. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent and the owner, user and property shall be held liable at law until such time as all such rates and charges are fully paid. The District further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the PSC applicable thereto, shuff off and discontinue the water services and facilities of the System to all delinquent users of the System.

Section 6.12. No Competing Franchise. To the extent allowable by law, the District will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any Owner of a Bond or Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the District relating thereto.

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the District. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the District. The District shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the District shall be reported to such agent of the District as the District shall direct.

The District shall file with the Consulting Engineer, if any, and the Authority, and shall mail in each year to any Owner or Owners of Bonds requesting the same, an annual report containing the following:

A. A statement of Gross Revenues, Operating Expenses and Net Revenues derived from the System.

B. A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution, and the status of all said funds.

The District shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants and shall submit the report of said audit to the Authority. The report of said audit shall include a statement that the District is in compliance with the terms and provisions of the WDA Loan Agreements and this Resolution.

Section 6.14. Initial Schedule of Rates. The rates, fees and other charges for the use of the services and facilities of the System established under a resolution of the District enacted on or before the date of enactment of the Supplemental Resolution shall constitute the initial schedule of rates for said System for purposes of this Resolution.

Section 6.15. Operating Budget. The Board shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the District shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to any Bondholder who requests in writing that copies of all such budgets and resolutions be furnished him, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Bondholder or anyone acting for and in behalf of such Bondholder.

Section 6.16. Connection. To the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto.

Section 6.17. Covenant to Amend Resolution. The District shall amend this Resolution by a resolution supplemental hereto to comply with any tax reform act as enacted by the Congress of the United States and signed by the President, if terms of the law as enacted are applicable to the Bonds and

are not addressed by or are in conflict with the terms hereof. In its determination to amend or supplement this Resolution, the District may rely on the opinion of nationally recognized bond counsel.

Section 6.18. Essential Governmental Function Bonds. The District shall use the Bond proceeds solely for the Project. The District shall take all action necessary to insure that the Bonds are not (i) industrial development bonds, (2) bonds that would be industrial development bonds if Section 501(c)(3) organizations were nonexempt persons, (3) student loan bonds, (4) mortgage subsidy bonds, (5) private ("consumer") loan bonds or(6) pension bonds.

ARTICLE VII

INVESTMENT OF FUNDS

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the District in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specified restrictions and provisions set forth in this Section 7.01.

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

Section 7.02. Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code of 1954, as amended, or the rules and regulations promulgated pursuant thereto, and the Chairman of the District shall deliver his certificate, based upon this covenant, with regard thereto to the purchaser of the Primary Bonds orginally authorized hereby.

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Primary Bonds or the Supplemental Bonds as the case maybe:

(A) If default occurs in the due and punctual payment of the principal of or interest on any such Bonds; or

(B) If default occurs in the District's observance of any of the covenants, agreements or conditions on its part relating to such Bonds set forth in this Resolution, any supplemental resolution, or in such Bonds, and such default shall have continued for a period of 30 days after the District shall have been given written notice of such default by any bank or banking association holding any fund or account hereunder or a owner of such Bonds; or

(C) If the District files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America or applicable State bankruptcy acts.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default with respect to any Primary Bonds or Supplemental Bonds, as the case may be, any registered Owner of such Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such registered Owners including the right to require the District to perform its duties under the Act and the Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon such Bonds, (iv) by action at law or bill in equity require the District to account as if it were the trustee of an express trust for the registered owners of

such Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Resolution with respect to such Bonds, or the rights of such registered Owners. The provisions of this section shall be subject to the senior rights of the Primary Bonds over the Supplemental Bonds.

Section 8.03. Appointment of Receiver. Any Bondholder may, by proper legal action, compel the performance of the duties of the District under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bond or Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in this Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the District of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and owners of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the District and Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System. The provisions of this section shall be subject to the senior rights of the Primary Bonds over the Supplemental Bonds.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance of Primary Bonds. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the owners of all Primary Bonds the principal thereof, and redemption premium, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect to the Primary Bonds only, the pledge of Net Revenues and any other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the District to the Bondholders of the Primary Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Primary Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be

sufficient, to pay, as and when due, the principal of and interest on the Primary Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section. All Primary Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agents, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Primary Bonds on and prior to the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal of and redemption premium, if applicable, on and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if applicable, on and interest to become due on said Primary Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Commission, free and clear of any trust, lien or pledge. For the purpose of this Section, securities shall mean and include only Government Obligations.

Section 9.02. Defeasance of Supplemental Bonds. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the respective Owners of all Supplemental Bonds, the principal thereof and interest, if any, at the times and in the manner stipulated therein and in this Resolution, then with respect to the Supplemental Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the District to the registered Owners of the Supplemental Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Supplemental Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of and interest, if any, on such Supplemental Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the

first paragraph of this section. All Supplemental Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of said Supplemental Bonds on and prior to the maturity dates thereof. Neither securities or moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of said Supplemental Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of said Supplemental Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Commission and its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

MISCELLANEOUS

Section 10.01. Modification or Amendment. No material modification or amendment of this Resolution or of any ordinance or resolution amendatory hereof or supplemental hereto which would materially and adversely affect the rights of Bondholders shall be made without the consent in writing of the owners of two-thirds (2/3) or more in principal amount of the Bonds then outstanding and to be affected by said modification; provided, however, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the District to pay such principal and interest out of the revenues of the System without the consent of the owner thereof. No amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above permitted amendments or modifications.

Section 10.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

Section 10.03. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, in conflict with this Resolution are to the extent of such conflict repealed.

Section 10.04. Covenant of Due Procedure. The District 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 final enactment and passage 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 applicable thereto; and that the Chairman, the Secretary and members of the Public Service District 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 10.05. Effective Date. This Resolution shall take effect immediately upon its adoption.

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of the construction of a public water system including installation of approximately 40,000 linear feet of water transmission and distribution lines with associated appurtenances. The District will purchase water for the system from the Kanawha Falls Public Service District.

1993

GAULEY RIVER PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS

BOND RESOLUTION

GAULEY RIVER PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS

BOND RESOLUTION

Table of Contents

		Page
ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Definitions	1
Section 1.02	Authority for this Resolution	9
Section 1.03	Findings	9
Section 1.04	Resolution Constitutes Contract	11
ARTICLE II - AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SYSTEM		
Section 2.01	Authorization of Extensions, Additions, Betterments and Improvements	12
ARTICLE III - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS		
Section 3.01	Authorization of Bonds	13
Section 3.02	Description of Bonds	13
Section 3.03	Execution of Bonds	13
Section 3.04	Authentication and Registration	14
Section 3.05	Negotiability, Transfer and Registration	14
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	15
Section 3.07	Bonds not to be Indebtedness of the Issuer	15
Section 3.08	Bonds Secured by Pledge of Net Revenues	15
Section 3.09	Form of Bonds	16
Section 3.10	Sale of Bonds	26

		Page
ARTICLE IV - SYSTEM REVENUES AND APPLICATION THEREOF		
Section 4.01	System Revenues and Application Thereof	27
Section 4.02	Tap Fees	30
ARTICLE V - APPLICATION OF BOND PROCEEDS		
Section 5.01	Application of Bond Proceeds	31
Section 5.02	Construction Trust Fund	31
ARTICLE VI - ADDITIONAL COVENANTS OF THE ISSUER		
Section 6.01	General Covenants of the Issuer	32
Section 6.02	Bonds not to be Indebtedness of the Issuer	32
Section 6.03.	Bonds Secured by Pledge of Net Revenues	32
Section 6.04	Rates	32
Section 6.05	Sale of the System	33
Section 6.06	Issuance of Additional Bonds	33
Section 6.07	Books and Records	35
Section 6.08	Fiscal Year; Budget	36
Section 6.09	Services Rendered by the System	36
Section 6.10	Enforcement of Collections	37
Section 6.11	Insurance and Bonds	38
Section 6.12	No Competing Franchise	39
Section 6.13	Consulting Engineer	39
Section 6.14	Contracts	39
Section 6.15	Statutory Mortgage Lien	39
Section 6.16	PSC Order	40
Section 6.17	Funds and Accounts Under Prior Resolution	40
Section 6.18	Covenant to Amend Resolution	40

ARTICLE VII - DEFAULTS AND REMEDIES

Section 7.01	Events of Default	41
Section 7.02	Remedies	41
Section 7.03	Appointment of Receiver	41
Section 7.04	Remedies on Parity with Prior First Lien Bonds	43

ARTICLE VIII - INVESTMENTS; NON-ARBITRAGE

Section 8.01	Investments	44

ARTICLE IX - MISCELLANEOUS

Section 9.01	Modification or Amendment	46
Section 9.02	Severability of Invalid Provisions	46
Section 9.03	Table of Contents and Headings	46
Section 9.04	Repeal of Conflicting Resolutions	46
Section 9.05	Covenant of Due Procedure	46
Section 9.06	Satisfaction and Discharge	47
Section 9.07	Effective Date	47

Exhibit A - Project A Description

GAULEY RIVER PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS FACILITY OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF $1,600,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS AND THE SALE THEREOF TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Additional Bonds" means additional bonds issued under the provisions and within the limitations prescribed by Section 6.06.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

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

"Bonds" means the $1,600,000 in aggregate principal amount of Water Revenue Bonds and any Additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for all or a significant portion of the proceeds representing the purchase of the Bonds by FmHA.

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

"Consulting Engineers" means Pentree, Inc., Princeton, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of waterworks systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Construction Trust Fund" means the Construction Trust Fund established by Section 5.02.

"Costs" or "Costs of the Project" means those costs described in Section 1.03I hereof to be a part of the cost of construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository Bank" means a bank or national banking association located in the State, eligible under the laws of the State to receive deposits of state and municipal funds and insured by the FDIC, which Depository Bank shall be named in the Supplemental Resolution.

"Depreciation Account" means the Depreciation Account established by Section 4.01(5).

"EDA" means the Economic Development Administration of the United States Department of Commerce and any successor to the functions of the EDA.

"EDA Grant" means the grant from EDA in the amount of $950,000.

"Event of Default" means any event or occurrence specified in Section 7.01.

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

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

"FmHA" or "Government" means the United States Department of Agriculture, Farmers Home Administration, which is expected to be the original purchaser of the Bonds.

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

"Government Grant" means the grant from the Government in the amount of $1,002,400.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Grants" means collectively the EDA Grant and the Government Grant.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereafter defined,

determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments purchased pursuant to Section 8.01) or any Tap Fees.

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

"Issuer" or "District" means the Gauley River Public Service District, a public corporation and political subdivision of the State.

"Letter of Conditions" means the letter of conditions of FmHA dated April 11, 1991, as amended May 6, 1991, December 9, 1991, January 27, 1993, and February 19, 1993, and any additional supplements or amendments thereto.

"Net Revenues" means Gross Revenues less Operating Expenses.

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the

date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Section 9.06 hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means, collectively, the Prior First Lien Bonds and the Prior Second Lien Bonds.

"Prior First Lien Bonds" means the Issuer's Waterworks Revenue Bond, Series 1986, issued in the original principal amount of $123,230 and purchased by the West Virginia Water Development Authority on May 9, 1986, currently outstanding in the principal amount of $121,038.

"Prior Resolution" means the resolution adopted by the Public Service Board of the District on April 30, 1986, authorizing the issuance of the Prior Bonds.

"Prior Second Lien Bonds" means the Issuer's Supplemental Subordinate Waterworks Revenue Bond, Series 1986, issued in the original principal amount of $61,350 and purchased by the West Virginia Water Development Authority on May 9, 1986, currently outstanding in the principal amount of $53,277.

"Project" means, collectively, Project A and Project B as described in Exhibit A attached hereto.

"Project A" means the acquisition and construction of the Dixie Waterline Extension portion of the Project.

"Project B" means the acquisition and construction of the Mount Olive Waterline Extension portion of the Project.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. 91-412-PWD-CN, which was entered by the Administrative Law Judge of the PSC on April 6, 1992, was amended on June 5, 1992 and became the final order on June 5, 1992, granting the Issuer a Certificate of Convenience and Necessity to construct Project A and Project B, approving the financing thereof and approving rates adequate for the costs thereof.

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

(a) Government Obligations;

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

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

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

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

(f) Money market funds or similar funds whose only assets are investments of

the type described in paragraphs (a) through (e) above;

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

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and

(j) Advanced - Refunded Municipal Bonds.

"Reserve Account" means the Reserve Account established by Section 4.01(A)(4).

"Reserve Requirement" means an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in any succeeding Fiscal Year.

"Resolution" means this resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established by Section 4.01(A).

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

"Sinking Fund" means the Sinking Fund established by Section 4.01(A)(2).

"State" means the State of West Virginia.

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

"System" means the public service properties to be used for or in connection with the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for industrial, public, private or other uses, owned by the Issuer, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

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

"Water Tap Fee" means the fee to be paid by the Issuer to Kanawha Falls Public Service District pursuant to a Water Purchase Agreement.

"West Virginia Water Development Authority" or "WDA" means the registered owner of the Prior Bonds.

Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the

term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer now owns and operates a public waterworks system, furnishing water service to residences, premises and businesses residing or located within and without the area of the Issuer, the acquisition and construction of certain extensions, additions, betterments and improvements thereto being permanently financed, in part, by the issuance of the Bonds to FmHA.

B. The acquisition and construction of the System was financed in part with the proceeds from the Prior Bonds, authorized pursuant to the Prior Resolution.

C. The Prior Bonds of the Issuer are currently outstanding in the principal amount of $174,315.

D. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not pledged or encumbered in any manner.

E. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the District that there be constructed certain extensions, additions, betterments and improvements to the System in accordance with the plans and specifications prepared by the Consulting Engineers, which Project A and Project B (collectively, the "Project") are described in Exhibits A and B.

F. The estimated maximum cost of the construction of the Project is $3,552,400. Project A will be financed with the proceeds of the sale of the Bonds anticipated to be in the amount of $1,600,000 and from the Government Grant in the approximate amount of $1,002,400. Project B will be permanently financed with the proceeds of the EDA Grant in the amount of $950,000.

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the

Prior Bonds, the principal of and interest on the Bonds authorized to be issued pursuant to this Resolution and all sinking funds, reserve and other payments provided for in the Prior Resolution and in this Resolution.

H. Prior to the issuance of the Bonds, the Issuer will obtain the consent of the WDA to the issuance of the Bonds with a lien on a parity with the lien of the Prior First Lien Bonds. Upon the issuance of the Bonds, the Issuer will grant the Government a first lien on the Net Revenues of the System, which lien will be on a parity with the lien of the Prior First Lien Bonds.

I. It is deemed necessary for the Issuer to issue its Bonds, in part to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the Water Tap Fee; the cost of interim financing for such Project; interest on the Bonds, prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said acquisition and construction of the project and placing the same in operation and the financing authorized by this Resolution.

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

K. It is in the best interest of the Issuer that it enter into the Water Purchase Agreement and from the proceeds of the Project financing pay the Water Tap Fee.

L. It is in the best interests of the Issuer that its Bonds be sold to FmHA pursuant to the terms and provisions of the Letter of Conditions.

M. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which have expired.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein. The Bonds share a first lien parity position with respect to sources of and security for payment with the Prior First Lien Bonds.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the construction and acquisition of certain extensions, additions, betterments and improvements to the System in accordance with the plans and specifications which have been prepared by the Consulting Engineers; provided, that such plans and specifications, and the construction and acquisition of certain extensions, additions, betterments and improvements to the System in accordance therewith, are subject to the specific authorization by the Board pursuant to a Supplemental Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions hereof, the Bonds of the Issuer, to be known as "Gauley River Public Service District Water Revenue Bonds" (the "Bonds") are hereby authorized to be issued in the aggregate principal amount of $1,600,000 for the purpose of permanently financing a portion of Costs of Project A.

Section 3.02. Description of Bonds. The Bonds shall be issued as fully registered Bonds with a record of advances and payments attached, numbered R-1 upward, and shall be dated the date of delivery thereof. The Bonds shall bear interest from the date of delivery on the amount outstanding on the interest payment date as evidenced on the record of advances and payments, payable monthly, commencing on the first day of the month following the month of delivery of the Bond and on the first day of each month thereafter for the first 24 months after the date thereof and thereafter on the first day of each month in installments of principal and interest in the aggregate amount of $7,856.00 except that the final installment shall be paid at the end of 40 years from the date of the Bond, at a rate, not exceeding five percent (5%) per annum, as shall be determined by the Supplemental Resolution and shall be sold for the par value thereof.

The Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Bond form.

The series designation shall be as set forth in the Supplemental Resolution.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairman, and the seal of the Issuer shall be impressed thereon and attested by the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the

execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

So long as any of the Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging or transferring the Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and

the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obligated to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

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

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

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds and the Prior First Lien Bonds shall be secured forthwith equally and ratably and on a parity with each other, by a first lien on the Net Revenues derived from the System, which lien of the Bonds and the Prior First Lien Bonds are senior to the lien of the Prior Second Lien Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and the Prior Bonds and to make the payments as hereinafter provided are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds and the Prior Bonds as the same become due.

Section 3.09. Form of Bonds. The text of the Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS
SERIES 1993

No. R-1 $1,600,000

March 17, 1993
(Date)

United States Department of Agriculture
Farmers Home Administration
Morgantown, West Virginia 26505

FOR VALUE RECEIVED, the Gauley River Public Service District, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia, in Fayette, Nicholas and Clay Counties (herein called the "Borrower"), promises to pay to the order of the United States Department of Agriculture, Farmers Home Administration (herein called the "Government"), at its National Finance Office, St. Louis, Missouri, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of One Million Six Hundred Thousand Dollars ($1,600,000) or such lesser amount as shall then be reflected on the Record of Advances and Payments attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 5% per annum. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and Payments and shall cease to accrue on the amount outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments.

The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing the first day of the month following the month of delivery of this Bond and on the first day of each month thereafter for the first 24 months after the date hereof, and thereafter on the first day of each month in installments of principal and interest in the aggregate amount of $7,856.00 except the final installment shall be paid at the end of forty years from the date of this Bond in the sum of the unpaid principal and

interest due on the date thereof and prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

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

Pre-payments of scheduled installments, or any portion thereof, may be made at any time at the option of the Borrower. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government. Borrower has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING GAULEY RIVER PUBLIC SERVICE DISTRICT WATERWORKS REVENUE BOND, SERIES 1986, DATED MAY 9, 1986 IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230 (THE "PRIOR FIRST LIEN BONDS") AND IS SENIOR TO THE LIEN WITH RESPECT TO SOURCES AND SECURITY FOR PAYMENT WITH THE OUTSTANDING GAULEY RIVER PUBLIC SERVICE DISTRICT SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BOND, SERIES 1986, DATED MAY 9, 1986 IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "PRIOR SECOND LIEN BONDS", AND COLLECTIVELY WITH THE PRIOR FIRST LIEN BONDS, THE "PRIOR BONDS").

This Bond is issued to permanently finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the Issuer's existing waterworks system (the "Project" and together with the existing waterworks system of the Issuer and any further extensions, additions, betterments and improvements thereto, herein called the "System"); to pay interest on the Bonds during acquisition and construction and for up to six months after completion of the Project; and to pay certain issuance and related costs in connection therewith. This Bond is authorized and issued under and in full compliance with the Constitution and statutes of the

State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the Board of the Borrower on the _____ day of _____, 1993, and supplemented by a Supplemental Resolution duly adopted by said Board on the _____ day of _____, 1993 (collectively, the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues (as defined in the Resolution) to be derived from the operation of the System which lien is on a parity as to security and source of payment with the lien of the Prior First Lien Bonds, moneys in the Reserve Account created under the Resolution (the "Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on this Bond, the Prior Bonds, and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted for the Prior Bonds as provided in the Prior Resolution and to the Government for the Bonds as provided herein and in the Resolution. This Bond does not constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provisions or limitations, nor shall said Borrower be obligated to pay the same or the interest hereon except from the Net Revenues derived from the operation of said System, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution and the Prior Resolution, the Borrower has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the proper and reasonable expenses of operation, repair and maintenance of said System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on the Bonds and the Prior Bonds and on all obligations secured by or payable from such revenues prior to or on a parity with the Bonds and the Prior First Lien Bonds; provided that when the Reserve Funds for the Prior Bonds and the Bonds are funded at the maximum amount required by the Resolution and the Prior Resolution, then the balance each year must be equal to at least 110% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on the Bonds and the Prior Bonds; provided, however, upon the payment in full or defeasance of the Prior Bonds, the coverage requirement pursuant to the Resolution is 110%. The Borrower has entered into certain further covenants with the owner of this Bond for the terms of

which reference is made to said Resolution. Remedies provided the owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of the Registrar which shall be kept for that purpose at the office of the Registrar, by the owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar duly executed by the owner or its attorney or legal representative duly authorized in writing.

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

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts connected with the issuance hereof, as provided by law and the Resolution, shall be applied solely to the costs of acquisition and construction of the Project, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

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

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, THE GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its seal to be hereunto impressed and attested by its Secretary, all as of the date first written above.

GAULEY RIVER PUBLIC SERVICE DISTRICT

_____

Chairman
P. O. Box 87
Belva, West Virginia 26656

[SEAL]

ATTEST:

_____

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Gauley River Public Service District Water Revenue Bonds, Series 1993, described in the within-mentioned Resolution and has been duly registered in the name of the United States Department of Agriculture, Farmers Home Administration as of the date set forth below.

Date: _____

Merchants National Bank,
as Registrar

By _____
Its Authorized Officer

RECORD OF ADVANCES AND PAYMENTS

Advances

Date	Amount	Initialed By
(1)	$	
(2)	$	
(3)	$	
(4)	$	
(5)	$	
(6)	$	
(7)	$	
(8)	$	
(9)	$	
(10)	$	
TOTAL:	$	

UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION

By: _____

_____
(Title)

RECORD OF ADVANCES AND PAYMENTS

Payments

Date	Amount	Initialed By
(1)	$	
(2)	$	
(3)	$	
(4)	$	
(5)	$	
(6)	$	
(7)	$	
(8)	$	
(9)	$	
(10)	$	
TOTAL:	$	

UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION

By: _____

_____
(Title)

[Form of Assignment]

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

_____

_____

_____

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Bonds. The Bonds shall be sold to FmHA pursuant to the terms and conditions of the Letter of Conditions. The provisions of the Letter of Conditions are specifically incorporated in this Resolution.

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. System Revenues and Application Thereof. So long as the Bonds shall be Outstanding and unpaid, the Issuer covenants with the Bondholders as follows:

(A) The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund created in the Prior Resolution and continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in the Prior Resolution and this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month commencing on the first day of the month following the month of delivery of the Bonds, make the payment required by Section 4.03(A)(2) of the Prior Resolution and shall simultaneously therewith apportion and set apart out of the Revenue Fund and remit to the office and place designated by the Bonds (herein called the "Sinking Fund") the monthly payment of interest set forth in the Supplemental Resolution or such lesser amount as is required to pay the interest on the Bonds as evidenced by the Record of Advances and Payments attached to the Bonds as set forth in the Bond form in Section 3.09. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

(3) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month commencing on the first day of the month following the month of delivery of the Bonds, make the payment required by Section 4.03(A)(3) of the Prior Resolution and simultaneously therewith shall apportion and set apart from the Revenue Fund and remit to the Sinking Fund the monthly payment of principal set forth in the Supplemental Resolution or such lesser amount as is evidenced by the Record of Advances and Payments attached to the Bond as set forth in the Bond form in Section 3.09, such amount or amounts being the amount required to amortize the principal of the Bonds over the life of the Bonds. If funds in the Revenue Fund are not sufficient to make all the

payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

The deposits to the Sinking Fund provided in this paragraph and in (2), above, constitute actual payments of principal and interest on the Bonds issued to the Government. The amounts required for principal and interest payments on the Bonds issued hereunder other than to the Government shall be deposited in a sinking fund created by a Supplemental Resolution.

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Section 4.03(A)(4) of the Prior Resolution and simultaneously therewith deposit in a Reserve Account at the Depository Bank (herein the "Reserve Account"), or in the case of Bonds other than the Bonds originally authorized hereby in a reserve account in a sinking fund created by Supplemental Resolution or otherwise as designated by a Supplemental Resolution, on the first day of each month of each year beginning with and including the month in which payments from the Revenue Fund for interest on the Bonds are commenced, an amount equal to one tenth (1/10) of the amount deposited into the Sinking Fund, as set forth above. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

No further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement. Moneys in the Reserve Account shall be used only for the purpose of payment of maturing principal of or interest on the Bonds when moneys in the Revenue Fund or, in the case of bonds other than the Bonds originally authorized hereby, the funds in a sinking fund created by Supplemental Resolution are insufficient therefor and for no other purposes.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to below the Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payment to the Sinking Fund and Reserve Account, including any deficiencies for prior payments, have been made in full.

As and when Additional Bonds ranking on a parity with the Bonds are issued, provision shall be made by Supplemental Resolution for additional payments sufficient to pay the interest on such Additional Bonds and to accomplish retirement thereof at or before maturity and to accumulate a balance in the Reserve Account in an amount equal to the maximum provided and required to

be paid in principal and interest in any succeeding year for account of all the Bonds.

(5) Thereafter, from the moneys remaining in said Revenue Fund, the Issuer shall make the payment required by Section 4.03(A)(5) of the Prior Resolution and shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the Project, remit to the Depository Bank for deposit in a special account to be designated the "Depreciation Account," which account is hereby established and created, a sum equal to $100 ($1,200 per year). No further payments shall be required to be made into said Depreciation Account when there shall have been deposited therein, and so long as there shall remain on deposit therein, an amount equal to one year's maximum principal and interest payments. All funds in said Depreciation Account shall be kept apart from all other funds, and all or any part of said fund may be invested as provided by Article VIII. Withdrawals and disbursements may be made from said Depreciation Account for replacements, emergency repairs, additions, betterments or improvements to the System; deficiencies in the payment of principal and interest on the Bonds, or debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such additions, betterments or improvements.

(6) Thereafter, from the moneys remaining in said Revenue Fund, the Issuer shall make the payments required pursuant to Section 4.03(A)(6) and (7) of the Prior Resolution.

(7) If all of the above required payments are then current, the Issuer may use any moneys remaining in the Revenue Fund for the following purposes: (a) for prepayment of the amount, or any part thereof, of the Prior Bonds or the Bonds Outstanding in accordance with the terms thereof (b) additions, betterments or improvements to the System which the Consulting Engineers certify are needed and/or (c) payments of principal and interest on subordinate water revenue bonds, or other obligations which may hereafter be issued by the Issuer on account of the System.

(B) All of the funds and accounts provided for above shall constitute trust funds and shall be used only for the purposes provided herein.

(C) The moneys in excess of the sum insured by the maximum amounts insured by the FDIC in the Revenue Fund, in the Reserve Account and in the Depreciation Account shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or such other obligations as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

(D) If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payments dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Reserve Account have not, as of such date, funded such account to the requirement therefor.

(E) All remittances made by the Issuer to the Government or to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

(F) The Gross Revenues of the System shall only be used for purposes of the System.

Section 4.02. Tap Fees. During the construction of the Project, Tap Fees shall be deposited in the Construction Trust Fund created in Section 5.02 hereof. Following completion of the Project, Tap Fees shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE V

APPLICATION OF BOND PROCEEDS

Section 5.01. Application of Bond Proceeds. All the moneys received from time to time from the sale of Bonds shall be deposited in the Construction Trust Fund, hereinafter created.

Section 5.02. Construction Trust Fund. There is hereby created with the Depository Bank a special fund to be known as the "Construction Trust Fund," which fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the Costs of Project A and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of Project A, for the payment of interest on the Bonds during construction and for a period up to six months thereafter and for no other purposes whatsoever. The moneys in said fund shall be secured at all times by the Depository Bank, by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Bonds hereby authorized.

Expenditures or disbursements by the Depository Bank from said Construction Trust Fund shall be made only after such expenditures or disbursements shall have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System which lien is on a parity as to such security with the lien of Prior First Lien Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds herein authorized and to make the payments into the Sinking Fund and the Reserve Account and all other payments provided for in this Resolution and the Prior Resolution are hereby irrevocably pledged, in the manner provided herein and therein, to the payment of the principal of and interest on the Bonds and the Prior Bonds as the same become due, and for the other purposes provided in this Resolution and the Prior Resolution.

Section 6.04. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file in the office of the Governing Body, copies of which will be open to inspection by all interested parties. The schedule of rates and charges shall be sufficient to pay the Operating Expenses of the System, to pay the principal of and interest on all Bonds issued hereunder, to pay

the principal of and interest on the Prior Bonds, to provide an adequate Reserve Account and an adequate Depreciation Fund and to pay all requirements set forth in the Prior Resolution. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable Operating Expenses of the System, and to fund any reserves required by the PSC Order or any supplement or amendment thereto, and (ii) to leave a balance each year equal to the maximum amount required in any succeeding fiscal year to pay the principal of and interest on the Bonds and the Prior Bonds and to leave a balance each fiscal year equal to at least 115% of the average annual debt service on the Bonds and the Prior Bonds Outstanding and all other obligations of the Issuer, secured by or payable from such revenues prior to or on a parity with the Bonds and the Prior First Lien Bonds, provided that when the Reserve Funds for the Prior Bonds and the Bonds are funded at the maximum level required therefor, then the balance each year must be equal to at least 110% of the amount required to pay the maximum principal and interest due on the Bonds and the Prior Bonds in any ensuing year; provided however, upon the payment in full or defeasance of the Prior Bonds, the coverage requirement pursuant to this Resolution is 110%.

Section 6.05. Sale of the System. So long as the Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government, and such consent will specify the disposition of any such sale or transfer. So long as the Prior Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of only in accordance with the terms of the Prior Resolution and with the written consent of the Government.

Section 6.06. Issuance of Additional Bonds. No Additional Bonds, as in this section defined, payable out of the revenues of the System shall be issued after the issuance of the Bonds pursuant hereto, except under the conditions and in the manner herein provided, and as long as the Prior Bonds are Outstanding, no Additional Bonds secured by the revenues of the System shall be issued except under the conditions and in the manner provided herein and in the Prior Resolution.

(A) No such Additional Bonds shall be issued without the written consent in advance of FmHA. No such Additional Bonds

shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, additions, betterments and improvements to the System or refunding one or more series of Bonds issued hereunder, or both, except as provided in subsection (F) of this section.

(B) No such Additional Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written certification by an Independent Certified Public Accountant, based upon the necessary investigation, reciting the conclusion that the Net Revenues actually derived from the System during the Fiscal Year immediately preceding the date of the issuance of such Additional Bonds shall have been not less than one hundred fifteen percent (115%) of the average aggregate amount which will mature or become due in any succeeding Fiscal Year for principal of and interest on the Prior Bonds, if outstanding, on the Bonds and on all Bonds of all other outstanding series on a parity with the Bonds and on the Additional Bonds then proposed to be issued.. This limitation may be waived or modified by the written consent of Bondholders representing 75% of each series of the then Outstanding Bonds issued pursuant hereto.

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

(D) The term "Additional Bonds," as used in this section, shall be deemed to mean Additional Bonds issued under the provisions and within the limitations of this section, payable from the revenues of the System on a parity with the Bonds, and all the covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of any Additional Bonds subsequently issued within the limitations of and in compliance with this section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from said Net Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds, either new or created herein, required for such Additional Bonds, in addition to the payments required for the Prior Bonds and the Bonds originally issued hereunder. Redemption of Bonds prior to maturity, in the event that the Bonds and Additional Bonds hereby authorized are Outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each issue.

(E) No Additional Bonds shall be issued at any time unless all the payments into the respective funds provided for herein on Bonds then Outstanding and all other payments provided for herein shall have been made or paid up as required to the date of issuance of the Additional Bonds and the Issuer shall have fully complied with all the covenants, agreements and terms hereof or shall have remedied any deficiency in such compliance.

(F) With the written consent in advance of FmHA, and anything to the contrary in subsections (A), (B) and (C) of this section notwithstanding, Additional Bonds may be authorized and issued by the Issuer pursuant to a Supplemental Resolution in the event that the Bonds should be insufficient, together with other funds lawfully available therefor, to pay or provide for all Costs of Project A. Any such Additional Bonds authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such Costs, and the maturities of any such Additional Bonds shall be in years and amounts suggested by FmHA.

Section 6.07. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Consulting Engineers, and FmHA, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses and Net Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts

provided for in this Resolution and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to FmHA, or any other original purchaser of the Bonds. Such audit report submitted to FmHA shall include a statement that the Issuer is in compliance with the terms and provisions of this Resolution and the Prior Resolution.

The Issuer shall keep and preserve all financial records for a period of ten (10) years, and such material, upon request, will be made available for public inspection.

Section 6.08. Fiscal Year; Budget. While the 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 such annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Board. Copies of each annual budget shall be delivered to FmHA by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the adoption of the annual budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a budget of current expenses shall not constitute compliance with the covenant to adopt an annual budget unless the Issuer's failure to submit an annual budget shall be for a reason beyond the control of the Issuer. Each such budget of current expenses shall be delivered and mailed immediately as in the case of the annual budget.

Section 6.09. Services Rendered by the System. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any

department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.10. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals, or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent, to the full extent permitted or authorized by the laws of the State and the rules and regulations of the Public Service Commission. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

To the extent allowed by law and the PSC, whenever any rates, rentals or charges for the services and facilities of the System, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent and the owner, user and property shall be held liable at law until such time as all such rates and charges are fully paid.

The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, for any account not paid within sixty (60) days, discontinue and shut off the services and facilities of the System and, in the event the Issuer owns a sewer facility (the "Sewerage System"), the Sewerage System to all users of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System have been paid in full and all accrued penalties plus a reconnection charge have been paid and shall take all further actions to enforce collections to the maximum extent permitted by law. The Issuer further covenants to use its best efforts to enter into agreements with any other entities providing sewerage service to its users, providing for discontinuing and shutting off the services and facilities of the sewerage system to users of the System delinquent in payment.

Section 6.11. Insurance and Bonds. The Issuer hereby covenants and agrees that, so long as the Bonds remain Outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(B) Public Liability Insurance, with limits of not less than $500,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

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

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerks of The County Commissions of Fayette, Nicholas and Clay Counties prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bonds will be provided as to every officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or valuable property of the System in an amount

at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by FmHA and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available.

(G) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as FmHA holds any of the Bonds, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each prime contractor to carry insurance, of such types and in such amounts as FmHA may specify, as long as such amounts are not less than any amounts acquired by the Prior Resolution as long as the Prior Bonds are outstanding, and with insurance carriers or bonding companies acceptable to FmHA.

Section 6.12. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality for the providing of any services which would compete with services provided by the System.

Section 6.13. Consulting Engineer. The Issuer will retain recognized, qualified independent Consulting Engineers on an annual basis to supervise generally the operation, maintenance and renewal of the System and report annually to the Issuer in writing their recommendations and comments as to the System. Such annual report of the Consulting Engineers or a summary thereof shall be made available at reasonable times to FmHA and to any Bondholder requesting the same.

Section 6.14. Contracts. Not later than simultaneously with the delivery of the Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of the project.

Section 6.15. Statutory Mortgage Lien. For the further protection of the Holders of 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 delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds; provided however, that the statutory mortgage lien in favor of the Holders of the Bonds issued hereunder shall be on a parity with the statutory mortgage lien in

favor of the Holders of the Prior First Lien Bonds. The statutory mortgage lien in favor of the Holders of the Prior Second Lien Bonds shall be junior and subordinate to the statutory mortgage lien in favor of the Holders of the Bonds and the Prior First Lien Bonds.

Section 6.16. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 6.17. Funds and Accounts Under Prior Resolution. The Issuer hereby covenants that all payments into the respective funds and accounts created under the Prior Resolution will have been made in full as required by the Prior Resolution prior to the date of delivery of the Bonds.

Section 6.18. Covenant to Amend Resolution. The Issuer retains the right to make any amendments, insertions or deletions by Supplemental Resolutions of this Resolution as the Issuer deems desirable or necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Prior First Lien Bonds. The Board of the Issuer hereby retains the specific authority to amend or supplement this Resolution to comply with the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereto. In determining to amend or supplement this Resolution, the Board of the Issuer may rely on the opinion of a nationally recognized bond counsel.

The Issuer retains the right to make any amendments, insertions or deletions by Supplemental Resolution of this Resolution as the Issuer deems necessary prior to the issuance of the Bonds to meet the requirements of FmHA.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Bonds.

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Resolution, any Supplemental Resolution or the Bonds and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Government, the Depository Bank, the Bond Registrar, any Paying Agent or a Registered Owner of a Bond; or

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

Section 7.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Bonds, or the rights of such Registered Owners.

Section 7.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default, with respect to the Bonds, the Registered Owner shall, in

addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

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

purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

Section 7.04. Remedies on Parity with Prior First Lien Bonds. The exercise of any remedy set forth in Sections 7.02 and 7.03 above shall recognize and protect the parity rights of the owners of the Prior First Lien Bonds.

ARTICLE VIII

INVESTMENTS; NON-ARBITRAGE

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

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, including but not limited to those in the Construction Trust Fund, and used for the purpose of such fund or account. The interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the Owner, including the value of accrued interest and giving effect to the amortization of discount and investments in the "consolidated fund" of the West Virginia Board of Investments shall be valued at par. The Commission or the Depository Bank, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. Such Depository Bank may make any and all investments permitted by this Section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under the section:

A. Qualified Investments acquired from the Reserve Account shall have maturities or be subject to redemption at the option of the Holder within five (5) years from the date of acquisition.

B. Qualified Investments acquired for the Depreciation Fund shall have maturities or be subject to redemption at the option of the Holder within ten (10) years from the date of acquisition.

C. Qualified Investments may be purchased for the Reserve Account either in the open market or from the Construction Trust Fund. If so purchased from the Construction Trust Fund, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Modification or Amendment. Except as provided in Section 6.18, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the respective rights of Owners of the Bonds shall be made without the consent in writing of the Owners of 66-2/3 percent or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the Net Revenues of the System without the consent of the respective Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds respectively, required for consent to the above-permitted amendments or modifications.

Section 9.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution, any Supplemental Resolution or the Bonds.

Section 9.03. 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 9.04. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, in conflict with this Resolution are, to the extent of such conflict, repealed; provided, that no provision of FmHA Form 1942-47 or the Prior Resolution shall be repealed hereby.

Section 9.05. Covenant of Due Procedure. 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 9.06. Satisfaction and Discharge. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the respective pledges of Net Revenues, and other moneys and securities pledged under this Resolution, and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. Any payment must comply with the terms of the Letter of Conditions and any FmHA regulations.

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

Adopted this 17th day of March, 1993.

GAULEY RIVER PUBLIC SERVICE DISTRICT

[SEAL]

Russell G. Young
Chairman, Public Service Board

Louis Summerfield Jr.
Member, Public Service Board

Sue Gray Jones
Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Gauley River Public Service District on the 17th day of March, 1993.

[SEAL]

Secretary, Public Service Board

EXHIBIT A

PROJECT DESCRIPTION

The proposed facilities will consist of approximately 77,000 lineal feet of water main and service line, 350 water meters for residential service, five water storage tanks, and four water booster stations. The Gauley River Public Service District will also continue to purchase water from the Kanawha Falls Public Service District. The Kanawha Falls Public Service District water system will require upgrade of storage facilities and pump stations integral to serving Gauley River Public Service District.

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, INTEREST RATE, AND SALE PRICE OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1993; DESIGNATING A REGISTRAR AND DEPOSITORY BANK; SETTING FORTH REGISTRATION INFORMATION; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Board") of the Gauley River Public Service District (the "District") has duly and officially enacted a Bond Resolution, effective March 17, 1993 (the "Resolution"), entitled:

> Resolution authorizing the acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks facility of the Gauley River Public Service District and the financing of the cost, not otherwise provided, thereof, through the issuance by the District of $1,600,000 in aggregate principal amount of water revenue bonds and the sale thereof to the United States Department of Agriculture, Farmers Home Administration; providing for the rights and remedies of and security for the registered owners of such bonds; providing for the terms and provisions of such bonds and adopting other provisions relating thereto.

WHEREAS, the Resolution provides for the issuance of Water Revenue Bonds (the "Bonds") of the Gauley River Public Service District in an aggregate principal amount not to exceed $1,600,000 and the sale thereof to the United States Department of Agriculture, Farmers Home Administration (the "Farmers Home Administration"), all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and the Resolution, and it is provided that the interest rates and sale price of the Bonds should be established by a supplemental

resolution and that other matters relating to the Bonds be herein provided for;

WHEREAS, Farmers Home Administration proposes to purchase the Bonds;

WHEREAS, the Board of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the price of and the interest rate on the Bonds be fixed hereby in the manner stated herein; and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there is hereby authorized and ordered to be issued the Gauley River Public Service District Water Revenue Bonds, Series 1993 in the aggregate principal amount of $1,600,000, and the sale thereof to the United States Department of Agriculture, Farmers Home Administration. The Bonds shall be in the form of one Bond, shall be dated March 17, 1993, shall mature forty years from the date thereof, shall be numbered R-1 and the principal amount advanced under the Bonds shall bear interest at the rate of five per centum (5.0%) per annum. Monthly installments of interest only on the amounts advanced under the Bonds are payable monthly, commencing the first day of the month following the month of delivery of the Bonds, for the first 24 months after delivery of the Bonds and thereafter, monthly installments of principal and interest on the Bonds, in the aggregate amount of

$7,856.00, are payable on the first day of each month, except that the final installment on the Bonds shall be made 40 years from the date of the Bonds in the sum of the unpaid principal and interest remaining unpaid on the date thereof. The Bonds are subject to prepayment as set forth in the Resolution.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Board of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District hereby approves and accepts the offer of the Farmers Home Administration to purchase the Bonds. The execution and delivery by the Chairman and Secretary of the Bonds, and the performance of the obligations contained therein, on behalf of the District are hereby authorized, approved and directed. The price of the Bonds shall be one million six hundred thousand dollars ($1,600,000) (100% of par value). At least Eighty Thousand Dollars ($80,000) will be advanced on the date of Closing and the remaining purchase price will be advanced to the District as needed to pay the Costs of Project A.

Section 4. All principal and interest payments on the Bonds will be paid to the order of the United States Department of Agriculture at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

Section 5. The Bonds shall be issued as a fully registered Bond, both as to principal and interest, and shall be registered to the United States Department of Agriculture, Farmers Home Administration, P. O. Box 678, Morgantown, West Virginia 26505.

Section 6. The District hereby appoints and designates Merchants National Bank, Montgomery, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 7. The District hereby appoints and designates Merchants National Bank, Montgomery, West Virginia, as Registrar for the Bonds as provided in the Resolution.

Section 8. The Chairman and the Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Resolution and the Farmers Home Administration financing.

Section 9. The financing of the Project by the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 10. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: March 17, 1993

Russell G. Deering
Chairman

[SEAL]

Lorrie Greenwood
Secretary

ABR022F4

CERTIFICATE OF TRUTH AND ACCURACY

I, the undersigned, as Secretary of the Gauley River Public Service District, do hereby certify that the foregoing document is a true and accurate copy of an official record of the Public Service Board of Gauley River Public Service District, such records being in the custody of the undersigned and that the action taken by the Public Service Board in the foregoing document remains in full force and effect and has not been amended or repealed.

Dated this 17th day of March, 1993.

GAULEY RIVER PUBLIC SERVICE DISTRICT

Secretary
Public Service Board

[SEAL]

AMB02237

1997

GAULEY RIVER PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS

BOND AND LINE OF CREDIT RESOLUTION

GAULEY RIVER PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS

BOND AND LINE OF CREDIT RESOLUTION

Table of Contents

Page

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS 1
Section 1.01. Definitions 1
Section 1.02. Authority for this Resolution 8
Section 1.03. Findings 8
Section 1.04. Resolution Constitutes Contract 10

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SYSTEM 11
Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements 11

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS 12
Section 3.01. Authorization of Bonds 12
Section 3.02. Description of Bonds 12
Section 3.03. Execution of Bonds 12
Section 3.04. Authentication and Registration 13
Section 3.05. Negotiability, Transfer and Registration 13
Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost 14
Section 3.07. Bonds not to be Indebtedness of the Issuer 14
Section 3.08. Bonds Secured by Pledge of Net Revenues 14
Section 3.09. Form of Bonds 14
Section 3.10. Sale of Bonds 24

ARTICLE IV

LINE OF CREDIT 25
Section 4.01. Authorization of Line of Credit 25
Section 4.02. Authorization of Credit Line Note 25

Section 4.03. Execution of Credit Line Note 26
Section 4.04. Negotiability, Transfer and Registration 26
Section 4.05. Form of Credit Line Note and Line of Credit Agreement 27

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF 28
Section 5.01. System Revenues and Application Thereof 28
Section 5.02. Tap Fees 31

ARTICLE VI

APPLICATION OF BOND PROCEEDS 32
Section 6.01. Application of Bond Proceeds 32
Section 6.02. Construction Trust Fund 32

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER 33
Section 7.01. General Covenants of the Issuer 33
Section 7.02. Bonds not to be Indebtedness of the Issuer 33
Section 7.03. Bonds Secured by Pledge of Net Revenues 33
Section 7.04. Rates 33
Section 7.05. Sale of the System 34
Section 7.06. Issuance of Additional Bonds 34
Section 7.07. Books and Records 34
Section 7.08. Fiscal Year; Budget 35
Section 7.09. Services Rendered by the System 36
Section 7.10. Enforcement of Collections 36
Section 7.11. Insurance and Bonds 37
Section 7.12. No Competing Franchise 38
Section 7.13. Consulting Engineer 38
Section 7.14. Contracts 38
Section 7.15. Statutory Mortgage Lien 38
Section 7.16. PSC Order 38
Section 7.17. Funds and Accounts Under Prior Resolutions 38
Section 7.18. Covenant to Amend Resolution 39

ARTICLE VIII

DEFAULTS AND REMEDIES 40
Section 8.01. Events of Default 40
Section 8.02. Remedies 40
Section 8.03. Appointment of Receiver 40
Section 8.04. Remedies on Prior Bonds 42

ARTICLE IX

INVESTMENTS 43
Section 9.01. Investments 43

ARTICLE X

MISCELLANEOUS 45
Section 10.01. Modification or Amendment 45
Section 10.02. Severability of Invalid Provisions 45
Section 10.03. Table of Contents and Headings 45
Section 10.04. Repeal of Conflicting Resolutions 45
Section 10.05. Covenant of Due Procedure 45
Section 10.06. Satisfaction and Discharge 45
Section 10.07. Effective Date 46

Exhibit A - Project Description
Exhibit B - Memorandum of Understanding

GAULEY RIVER PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS FACILITY OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF $471,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS AND THE SALE THEREOF TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A LINE OF CREDIT NOT TO EXCEED $300,000; PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Additional Bonds" means additional bonds secured by the Net Revenues of the System issued under the provisions and within the limitations prescribed by Section 7.06.

"AML Grant" means the grant from the Abandoned Mine Lands Grant in the amount of $689,500.

"ARC Grant" means the grant from the Appalachian Regional Commission in the amount of $274,000.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

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

"Bonds" means, collectively, the $414,000 in aggregate principal amount of Water Revenue Bonds, Series 1997 A and $57,000 in aggregate principal amount of Water Revenue Bonds, Series 1997 B and any Additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

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

"Closing Date" means the date upon which there is an exchange of the Bonds for all or a significant portion of the proceeds representing the purchase of the Bonds by RUS, as hereinafter defined.

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

"Consulting Engineers" means Pentree, Inc., Princeton, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of waterworks systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Construction Trust Fund" means the Construction Trust Fund established by Section 6.02.

"Costs" or "Costs of the Project" means those costs described in Section 1.031 hereof to be a part of the cost of construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository Bank" means a bank or national banking association located in the State, eligible under the laws of the State to receive deposits of state and municipal funds and insured by the FDIC, which Depository Bank shall be named in the Supplemental Resolution.

"Depreciation Account" means the Depreciation Account established or continued by Section 5.01(5).

"Event of Default" means any event or occurrence specified in Section 8.01.

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

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

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

"Government Grant" means the grant from the Government in the amount of $736,000.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Grants" means collectively the AML Grant, the ARC Grant and the Government Grant.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments purchased pursuant to Section 9.01) or any Tap Fees.

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

"Issuer" or "District" means the Gauley River Public Service District, a public corporation and political subdivision of the State.

"Letter of Conditions" means the letter of conditions dated March 9, 1995, as amended February 8, 1996, and any additional supplements or amendments thereto.

"Line of Credit" means the irrevocable line of credit in an amount not to exceed $300,000 authorized by Section 4.01 hereof, the terms and amount of which may be approved by a resolution supplemental hereto.

"Line of Credit Agreement" means the agreement, if any, establishing the Line of Credit, said agreement to be approved by a resolution supplemental hereto.

"MOU" means the Memorandum of Understanding dated May 20, 1997, between the Issuer and the West Virginia Division of Environmental Protection, set forth as Exhibit B hereto, related to the AML Grant and certain other terms of the financing. The MOU is hereby incorporated herein and made a part hereof.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Noteholder," "Registered Owner of the Notes" or "Owner of the Notes" or any similar term means the person, whenever used herein with respect to an outstanding Note or Notes, as hereinafter defined, in whose name such Note is registered.

"Notes" or "Credit Line Note" means the not more than $300,000 in aggregate principal amount of interim construction financing, consisting of grant anticipation notes or a Line of Credit evidenced by notes, or any combination of the foregoing, as authorized by Article IV hereof and, unless the context clearly indicates otherwise, the term "Notes" includes any refunding grant anticipation notes of the Issuer.

"Notes Registrar" means the Registrar for the Notes which shall be designated by a resolution supplemental hereto.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, fiscal agents, depository banks, registrars, paying agents and trustees other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other

reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, of any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from and decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Section 9.06 hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means, collectively, the Prior First Lien Bonds, the Prior Second Lien Bonds and the Prior 1993 Bonds.

"Prior 1993 Bonds" means the Issuer's Water Revenue Bonds, Series 1993, issued in the original principal amount of $1,600,000 and purchased by the United States Department of Agriculture, Farmers Home Administration on March 17, 1993.

"Prior First Lien Bonds" means the Issuer's Waterworks Revenue Bond, Series 1986, issued in the original principal amount of $123,230 and purchased by the West Virginia Water Development Authority on May 9, 1986.

"Prior Resolutions" means, collectively, the resolutions adopted by the Public Service Board of the District on April 30, 1986, and March 17, 1993, authorizing the issuance of the Prior Bonds.

"Prior Second Lien Bonds" means the Issuer's Supplemental Subordinate Waterworks Revenue Bond, Series 1986, issued in the original principal amount of $61,350 and purchased by the West Virginia Water Development Authority on May 9, 1986.

"Project" means the Project as described in Exhibit A attached hereto.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means the recommended decision of the PSC in Case No. 95-0230-PWD-CN, which was entered by the Administrative Law Judge of the PSC on November 25, 1996, and became the final order on December 15, 1996, granting the Issuer a Certificate of Convenience and Necessity to construct the Project, approving the financing thereof.

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

(a) Government Obligations;

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

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond

dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing any said repurchase agreement either must mature as nearly as practicable coincident with the maturity of said repurchase agreement or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreement, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and

(j) Advanced - Refunded Municipal Bonds.

"Reserve Accounts" means, collectively, the Series 1997A Bonds Reserve Account and Series 1997B Bonds Reserve Account established by Section 5.01(A)(4).

"Reserve Requirements" means an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 1997A Bonds and the Series 1997B Bonds in any succeeding Fiscal Year.

"Resolution" means this resolution, as from time to time amended or supplemented.

"Revenue Fund" means the Revenue Fund established or continued by Section 5.01(A).

"RUS" or "Government" means the United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser of the Bonds.

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

"Series 1997A Bonds" means the $414,000 in aggregate principal amount of Water Revenue Bonds, Series 1997A.

"Series 1997A Bonds Reserve Account" means the Reserve Account established by Section 5.01(A)(4) for the Series 1997A Bonds.

"Series 1997A Bonds Reserve Requirement" means an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 1997A Bonds in any succeeding Fiscal Year.

"Series 1997B Bonds" means the $57,000 in aggregate principal amount of Water Revenue Bonds, Series 1997B.

"Series 1997B Bonds Reserve Account" means the Reserve Account established by Section 5.01(A)(4) for the Series 1997B Bonds.

"Series 1997B Bonds Reserve Requirement" means an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 1997B Bonds in any succeeding Fiscal Year.

"Sinking Funds" means, collectively, the Sinking Funds established by Section 5.01(A)(2) for the Series 1997A Bonds and the Series 1997B Bonds.

"State" means the State of West Virginia.

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

"System" means the public service properties to be used for or in connection with the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for industrial, public, private or other uses, owned by the Issuer, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

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

"West Virginia Water Development Authority" or "WDA" means the registered owner of the Prior First Lien Bonds and the Prior Second Lien Bonds.

Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer now owns and operates a public waterworks distribution system, furnishing water service to residences, premises and businesses residing or located within and without the area of the Issuer.

B. The acquisition and construction of the System was financed in part with the proceeds from the Prior Bonds, authorized pursuant to the Prior Resolutions.

C. The Prior Bonds of the Issuer are currently outstanding in the approximate aggregate principal amount of $1,697,380.

D. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not pledged or encumbered in any manner.

E. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the District that there be constructed certain extensions, additions, betterments and improvements to the System, to extend service to customers in the Beech Glen, Jody and Swiss areas, in accordance with the plans and specifications prepared by the Consulting Engineers, which Project is described in Exhibit A.

F. The estimated maximum cost of the construction of the Project is $2,170.000. The Project will be financed with the proceeds of the sale of the Bonds anticipated to be in the amount of $471,000, from the Government Grant in the approximate amount of $736,000 and with the proceeds of the ARC Grant in the amount of $274,000 and with the proceeds of the AML Grant in the amount of $689,500. The Issuer has entered into the MOU which provides for the administration of the AML Grant and the transfer of the AML Grant portion of the Project to the Issuer upon completion of the Project.

G. The estimated Gross Revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest, if any,

on the Prior Bonds, the principal of and interest on the Bonds authorized to be issued pursuant to this Resolution and all sinking funds, reserve and other payments provided for in the Prior Resolutions and in this Resolution.

H. Prior to the issuance of the Bonds, the Issuer will obtain the consent of the WDA to the issuance of the Bonds with a lien on a parity with the lien of the Prior First Lien Bonds and the Consent of the Government to the issuance of the Bonds with a lien on a parity with the lien of the Prior 1993 Bonds. Upon the issuance of the Bonds, the Issuer will grant the Government a first lien on the Net Revenues of the System, which lien will be on a parity with the lien of the Prior First Lien Bonds and the Prior 1993 Bonds, and senior to the Prior Second Lien Bonds.

I. It is deemed necessary for the Issuer to issue its Bonds, in part to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the cost of interim financing for such Project; interest on the Bonds, prior to, during and for six months after the estimated date of completion of construction of the Project, if any; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Bonds, and such other expenses as may be necessary or desirable to said acquisition and construction of the project and placing the same in operation and the financing authorized by this Resolution.

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

K. The Issuer has entered into a Water Purchase Agreement with Kanawha Falls Public Service District.

L. The Letter of Conditions requires the Issuer to obtain interim financing pending receipt of Bond proceeds. It is in the best interest of the Issuer that notes be issued to evidence such interim financing in an amount not to exceed $300,000.

M. It is in the best interests of the Issuer that its Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions.

N. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of

which have expired and written approval or a waiver from the West Virginia Infrastructure and Jobs Development Council.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein. The Bonds share a first lien parity position with respect to sources of and security for payment with the Prior First Lien Bonds and the Prior 1993 Bonds and a senior position to the Prior Second Lien Bonds.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the construction and acquisition of certain extensions, additions, betterments and improvements to the System in accordance with the plans and specifications which have been prepared by the Consulting Engineers; provided, that such plans and specifications, and the construction and acquisition of certain extensions, additions, betterments and improvements to the System in accordance therewith, are subject to the specific authorization by the Board pursuant to a Supplemental Resolution.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions hereof, the Bonds of the Issuer, to be known as "Gauley River Public Service District Water Revenue Bonds" (the "Bonds") are hereby authorized to be issued in the aggregate principal amount of $471,000 for the purpose of permanently financing the Costs of the Project.

Section 3.02. Description of Bonds. (a) The Series 1997 A Bonds shall be issued as fully registered Bonds with a record of advances and payments attached, numbered AR-1 upward, and shall be dated the date of delivery thereof. The Bonds shall bear interest from the date of delivery on the amount outstanding as evidenced on the record of advances and payments, payable monthly, commencing on the 26th day of the month following the month of delivery of the Bond and on the 26th day of each month thereafter for the first 24 months after the date thereof and thereafter on the 26th day of each month in installments of principal and interest in the aggregate amount of $1,901 except that the final installment shall be paid at the end of 40 years from the date of the Bond, at a rate, not exceeding four and one-half percent (4.50%) per annum, as shall be determined by the Supplemental Resolution and shall be sold for the par value thereof.

(b) The Series 1997 B Bonds shall be issued as fully registered Bonds with a record of advances and payments attached, numbered BR-1 upward, and shall be dated the date of delivery thereof. The Bonds shall bear interest from the date of delivery on the amount outstanding as evidenced on the record of advances and payments, payable monthly, commencing on the 26th day of the month following the month of delivery of the Bond and on the 26th day of each month thereafter for the first 24 months after the date thereof and thereafter on the 26th day of each month in installments of principal and interest in the aggregate amount of $262 except that the final installment shall be paid at the end of 40 years from the date of the Bond, at a rate, not exceeding four and one-half percent (4.50%) per annum, as shall be determined by the Supplemental Resolution and shall be sold for the par value thereof.

The Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Bond form.

The series designation shall be as set forth in the Supplemental Resolution.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairman, and the seal of the Issuer

shall be impressed thereon and attested by the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

So long as any of the Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging or transferring the Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each

new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obligated to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

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

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

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds, the Prior 1993 Bonds and the Prior First Lien Bonds shall be secured forthwith equally and ratably and on a parity with each other, by a first lien on the Net Revenues derived from the System, which lien of the Bonds, the Prior 1993 Bonds and the Prior First Lien Bonds is senior to the lien of the Prior Second Lien Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and the Prior Bonds and to make the payments as hereinafter provided and as provided in the Prior Resolutions are hereby irrevocably pledged to the payment of the principal of and interest, if any, on the Bonds and the Prior Bonds as the same become due.

Section 3.09. Form of Bonds. The text of the Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Bonds]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS
SERIES 1997[A/B]

No. AR-1[BR-2] $414,000 [$57,000]

_____, 1997

United States Department of Agriculture
National Finance Office
1520 Market Street
St. Louis, Missouri 63103

FOR VALUE RECEIVED, the Gauley River Public Service District, a public corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia, in Fayette, Nicholas and Clay Counties (herein called the "Borrower"), promises to pay to the order of the United States Department of Agriculture, Rural Economic and Community Development (herein called the "Government"), at its National Finance Office, St. Louis, Missouri, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of _____ Dollars ($_____) or such lesser amount as shall then be reflected on the Record of Advances and Payments attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of four and one-half percent (4.50%) per annum. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances and Payments attached hereto. Interest shall accrue only on the amount of each advance from its actual date as listed on said Record of Advances and Payments and shall cease to accrue on the amount outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments.

The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing the 26th day of the month following the month of delivery of this Bond and on the 26th day of each month thereafter for the first 24 months after the date hereof, and thereafter on the 26th day of each month in installments of principal and interest in the aggregate amount of [$1,901/$262] except the final installment shall be paid at the end of forty years from the date of this Bond in the sum of the unpaid principal and interest due

on the date thereof and prepayments may be made as provided below. This consideration shall support any agreement modifying the foregoing schedule of payments.

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

Pre-payments of scheduled installments, or any portion thereof, may be made at any time at the option of the Borrower. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government. Borrower has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued to permanently finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the Issuer's existing waterworks system (the "Project" and together with the existing waterworks system of the Issuer and any further extensions, additions, betterments and improvements thereto, herein called the "System"); to pay interest on the Bonds during acquisition and construction and for up to six months after completion of the Project; and to pay certain issuance and related costs in connection therewith. This Bond is authorized and issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended (the "Act"), and a resolution duly adopted by the Board of the Borrower on the 26th day of June, 1997, and supplemented by a Supplemental Resolution duly adopted by said Board on the 26th day of June, 1997 (collectively, the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND SHARES A FIRST LIEN PARITY POSITION WITH RESPECT TO SOURCES OF AND SECURITY FOR PAYMENT WITH THE OUTSTANDING GAULEY RIVER PUBLIC SERVICE DISTRICT WATERWORKS REVENUE BOND, SERIES 1986, DATED MAY 9, 1986 IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230 (THE "PRIOR FIRST LIEN BONDS") AND THE OUTSTANDING GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1993,

DATED MARCH 17, 1993, IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,600,000 (THE "PRIOR 1993 BONDS") AND THE WATER REVENUE BONDS, SERIES 1997[A/B] ISSUED SIMULTANEOUSLY HEREWITH (THE "SERIES 1997[A/B] BONDS"), AND ARE SENIOR TO THE LIEN WITH RESPECT TO SOURCES AND SECURITY FOR PAYMENT WITH THE OUTSTANDING GAULEY RIVER PUBLIC SERVICE DISTRICT SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BOND, SERIES 1986, DATED MAY 9, 1986 IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "PRIOR SECOND LIEN BONDS" AND COLLECTIVELY WITH THE PRIOR FIRST LIEN BONDS AND THE PRIOR 1993 BONDS, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues (as defined in the Resolution) to be derived from the operation of the System which lien is on a parity as to security and source of payment with the lien of the Prior First Lien Bonds, the Prior 1993 Bonds and the Series 1997[A/B] Bonds, issued simultaneously herewith, and senior to the Prior Second Lien Bonds, moneys in the Reserve Accounts created under the Resolution (the "Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on this Bond, the Series 1997[A/B] Bonds, the Prior Bonds, and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted for the Prior Bonds as provided in the Prior Resolutions and to the Government for this Bond and the Series 1997[A/B] Bonds as provided herein and in the Resolution. This Bond does not constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provisions or limitations, nor shall said Borrower be obligated to pay the same or the interest hereon except from the Net Revenues derived from the operation of said System, the moneys in the Reserve Accounts and unexpended Bond proceeds. Pursuant to the Resolution and the Prior Resolutions, the Borrower has covenanted and agreed to establish and maintain just and equitable rates or charges for the use of such System and the services rendered thereby, which shall be sufficient to provide for the proper and reasonable expenses of operation, repair and maintenance of said System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on this Bond, the Series 1997[A/B] Bonds and the Prior Bonds and on all obligations secured by or payable from such revenues prior to or on a parity with this Bond, the Series 1997[A/B] Bonds and the Prior Bonds; provided that when the Reserve Funds for the Prior Bonds, the Series 1997[A/B] Bonds and this Bond are funded at the maximum amount required by the Resolution and the Prior Resolutions, then the balance each year must be equal to at least 110% of the amount required to pay the maximum amount due in any ensuing year of principal of and interest on this Bond, the Series 1997[A/B] Bonds and the Prior Bonds. The Borrower has entered into certain further covenants with the owner of this Bond for the terms of which reference is made to said Resolution. Remedies provided the owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of Merchants National Bank, Gauley Bridge, West Virginia (the "Registrar") which shall be kept for that purpose at the office of the Registrar, by the owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar duly executed by the owner or its attorney or legal representative duly authorized in writing.

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

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts connected with the issuance hereof, as provided by law and the Resolution, shall be applied solely to the costs of acquisition and construction of the Project, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

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

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, THE GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its seal to be hereunto impressed and attested by its Secretary, all as of the date first written above.

GAULEY RIVER PUBLIC SERVICE DISTRICT

_____

Chairman
P. O. Box 87
Belva, West Virginia 26656

[SEAL]

ATTEST:

_____

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Gauley River Public Service District Water Revenue Bonds, Series 1997, described in the within-mentioned Resolution and has been duly registered in the name of the United States Department of Agriculture, Rural Utilities Service as of the date set forth below.

Date: _____, 1997

_____ Bank,
as Registrar

By _____
Its Authorized Officer

RECORD OF ADVANCES AND PAYMENTS

Advances

	Date	Amount	Initialed By
(1)		$	
(2)		$	
(3)		$	
(4)		$	
(5)		$	
(6)		$	
(7)		$	
(8)		$	
(9)		$	
(10)		$	

TOTAL: $ _____

UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE

By: _____

_____

(Title)

RECORD OF ADVANCES AND PAYMENTS

Payments

Date	Amount	Initialed By
(1) _____	$ _____	_____
(2) _____	$ _____	_____
(3) _____	$ _____	_____
(4) _____	$ _____	_____
(5) _____	$ _____	_____
(6) _____	$ _____	_____
(7) _____	$ _____	_____
(8) _____	$ _____	_____
(9) _____	$ _____	_____
(10) _____	$ _____	_____

TOTAL: $ _____

UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE

By: _____

_____
(Title)

[Form of Assignment]

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

_____

_____

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

Dated: _____, ___.

_____

In the presence of:

_____

Section 3.10. Sale of Bonds. The Bonds shall be sold to the Government pursuant to the terms and conditions of the Letter of Conditions. The provisions of the Letter of Conditions are specifically incorporated in this Resolution.

ARTICLE IV

LINE OF CREDIT

Section 4.01. Authorization of Line of Credit. To provide funds for the acquisition and construction of the Project and other funds are not available therefor, the Issuer is hereby authorized to arrange for a Line of Credit in an amount not to exceed $300,000. The amount and terms of the Line of Credit may be approved by a resolution supplemental hereto.

Section 4.02. Authorization of Credit Line Note. For the purpose of evidencing any draw upon the Line of Credit and thus, of financing a portion of the cost of acquisition and construction of the Project, there may be issued the Credit Line Note of the Issuer in an amount and upon such terms as set forth in a resolution supplemental hereto. The Credit Line Note may be issued in single, fully registered form and dated as of the date of delivery thereof. There shall be attached to the Credit Line Note a Record of Advances and Payments, upon which the date and principal amount of any draw upon the Line of Credit, the date and amount of any payment of principal of the Credit Line Note and the amount of the Credit Line Note outstanding after either of said transactions shall be recorded. Anything to the contrary herein, in the Line of Credit Agreement or therein notwithstanding, the Credit Line Note shall evidence only the outstanding indebtedness recorded on the Record of Advances and Payments attached thereto, and interest shall accrue only on the amount if each advance from the actual date thereof as listed on said Record of Advances and Payments. Each such advance shall bear interest, payable at such times and at a rate set forth in a supplemental resolution, but not to exceed the then legally permissible limit. Interest shall cease to accrue on the amount of the Credit Line Note outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments. The Credit Line Note shall mature not more than thirty (30) months from the date thereof. The Credit Line Note shall be subject to such further terms as shall be provided by the Line of Credit Agreement. Notwithstanding the foregoing, the terms of the Credit Line Note, other than the principal amount thereof, may be modified by resolution supplemental and amendatory hereto, subject to the limits of the Act.

The Credit Line Note shall be payable as to principal upon surrender at the principal office of the Notes Registrar, in any coin or currency which on the date of payment of principal is legal tender for the payment of public and private debts under the laws of the United States of America; provided, that any partial payment or principal prior to the final maturity of the Credit Line Note shall be recorded on the Record of Advances and Payments attached to the Credit Line Note, and the Credit Line Note shall be returned to the Registered Owner. Interest on the Credit Line Note shall be paid by check or draft mailed to the Registered Owner thereof at the address as it appears on the books of said Notes Registrar; provided, that, at the option of the Registered Owner, such payment may be made by wire transfer or such other lawful method as shall be mutually agreeable.

Section 4.03. Execution of Credit Line Note. The Credit Line Note shall be executed in the name of the Issuer by the signature of its Chairman, and the seal of the Issuer shall be impressed thereon and attested by the signature of the Secretary. Any Credit Line Note may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Credit Line Note shall hold the proper office of the Issuer, although at the date of such Credit Line Note such person may not have held such office or may not have been so authorized.

Section 4.04. Negotiability, Transfer and Registration. Subject to the restrictions on transfer set forth below, the Credit Line Note shall be and have all of the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State, and each successive Registered Owner, in accepting the Credit Line Note, shall be conclusively deemed to have agreed that said Credit Line Note shall be incontestable in the hands of a bona fide holder for value.

So long as the Credit Line Note or any portion thereof remains Outstanding, the Notes Registrar shall keep and maintain books for the registration and transfer of the Credit Line Note. The Credit Line Note shall be transferable only upon the books of the Notes Registrar which shall be kept for that purpose at the office of the Notes Registrar (and in such capacity as paying agent) by the Registered Owner thereof in person or by its attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Notes Registrar duly executed by the Registered Owner or its duly authorized attorney. Upon the transfer of the Credit Line Note, there shall be issued at the option of the Registered Owner or the transferee another Credit Line Note or Notes of the aggregate stated principal amount equal to the stated principal amount of such transferred Credit Line Note not paid as reflected on the Record of Advances and Payments attached thereto and outstanding in the aggregate principal amount equal to the advanced but unpaid amount of the transferred Credit Line Note as reflected on the Record of Advances and Payments attached thereto.

In all cases in which the privilege of transferring the Credit Line Note is exercised, Credit Line Notes shall only be issued in accordance with the provisions of this Ordinance and the Supplemental Resolution. All Credit Line Notes surrendered in any such transfers shall forthwith be cancelled by the Notes Registrar. For every such transfer of Credit Line Notes, the Notes Registrar may make a charge sufficient to reimburse its office for any tax, fee or other governmental charge required to be paid with respect to such transfer and the cost of preparing each Credit Line Note upon each transfer, and any other expenses of the Notes Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer. The Notes Registrar shall not be obligated to make any such transfer of Credit Line Notes during the ten (10) days preceding an interest payment date on the Credit Line Notes or after notice of any prepayment of the Credit Line Notes have been given.

Section 4.05. Form of Credit Line Note and Line of Credit Agreement. The text of the Credit Line Note and the Line of Credit Agreement shall be in substantially the form set forth in a Resolution Supplemental hereto. The Line of Credit Agreement shall be executed on behalf of the Issuer by the Chairman. The Credit Line Note shall not become valid until manually authenticated and registered by the Notes Registrar.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. System Revenues and Application Thereof. So long as the Bonds shall be Outstanding and unpaid, the Issuer covenants with the Bondholders as follows:

(A) The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund created in the Prior Resolutions and continued hereby. The Revenue Fund shall constitute a trust fund for the purposes provided in the Prior Resolutions and this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities.

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

(2) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month commencing on the first day of the month following the month of delivery of the Bonds, make the payments required by Sections 4.03(A)(2) and 4.01(A)(2) of the Prior Resolutions and shall on the 26th day of each month apportion and set apart out of the Revenue Fund and remit to the office and place designated by the Series 1997A Bonds and Series 1997B Bonds (herein collectively called the "Sinking Funds") the monthly payment of interest set forth in the Supplemental Resolution or such lesser amount as is required to pay the interest on the Series 1997A Bonds and Series 1997B Bonds as evidenced by the Record of Advances and Payments attached to the Series 1997A Bonds and Series 1997B Bonds as set forth in the Bond form in Section 3.09. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

(3) Next from the moneys in the Revenue Fund, the Issuer shall on the first day of each month commencing on the first day of the month following the month of delivery of the Bonds, make the payment required by Sections 4.03(A)(3) and 4.01(A)(3) of the Prior Resolutions and shall on the 26th day of each month apportion and set apart from the Revenue Fund and remit to the Sinking Funds the monthly payment of principal set forth in the Supplemental Resolution or such lesser amount as is evidenced by the Record of Advances and Payments attached to the Series 1997A Bonds and Series 1997B Bonds as set forth in the Bond form in Section 3.09, such amount or amounts being the amount required to amortize the principal of the Series 1997A Bonds and Series 1997B Bonds over the life of the Series 1997A Bonds and Series 1997B Bonds. If funds in the Revenue Fund are not

sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

The deposits to the Sinking Funds provided in this paragraph and in (2), above, constitute actual payments of principal and interest on the Series 1997A Bonds and Series 1997B Bonds issued to the Government. The amounts required for principal and interest payments on the Series 1997A Bonds and Series 1997B Bonds issued hereunder other than to the Government shall be deposited in a sinking fund created by a Supplemental Resolution.

(4) The Issuer shall next transfer from the Revenue Fund and make the payment required by Sections 4.03(A)(4) and 4.01(A)(4) of the Prior Resolutions and shall deposit in the Series 1997A Bonds Reserve Account and the Series 1997B Bonds Reserve Account at the Depository Bank (herein collectively the "Reserve Accounts"), or in the case of Bonds other than the Series 1997A Bonds and Series 1997B Bonds originally authorized hereby in a reserve account in a sinking fund created by Supplemental Resolution or otherwise as designated by a Supplemental Resolution, on the 26th day of each month of each year beginning with and including the month in which payments from the Revenue Fund for interest on the Series 1997A Bonds and Series 1997B Bonds are commenced, an amount equal to one tenth (1/10) of the amount deposited into the Sinking Funds, as set forth above. If funds in the Revenue Fund are not sufficient to make all the payments required by this Section, the Issuer shall apportion and prorate the funds available to the payments required herein.

No further payments shall be made into the Series 1997 A Bonds Reserve Account or the Series 1997B 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 Reserve Requirements ($190.10 x 120 = $22,812 for the Series 1997A Bonds and $26.20 x 120=$3,144 for the Series 1997B Bonds). Moneys in the Reserve Accounts shall be used only for the purpose of payment of maturing principal of or interest on the Bonds when moneys in the Revenue Fund or, in the case of bonds other than the Bonds originally authorized hereby, the funds in a sinking fund created by Supplemental Resolution are insufficient therefor and for no other purposes.

Any withdrawals from the Reserve Accounts which result in a reduction in the balance of the Reserve Accounts to below the Reserve Requirements shall be subsequently restored from the first Net Revenues available after all required payment to the Sinking Funds and Reserve Accounts, including any deficiencies for prior payments, have been made in full.

As and when Additional Bonds ranking on a parity with the Bonds are issued, provision shall be made by Supplemental Resolution for additional payments sufficient to pay the interest on such Additional Bonds and to accomplish retirement thereof at or before maturity and to accumulate a balance in the Reserve Accounts in an amount equal to the

maximum provided and required to be paid in principal and interest in any succeeding year for account of all the Bonds.

(5) Thereafter, from the moneys remaining in said Revenue Fund, the Issuer shall make the payment required by Sections 4.03(A)(5) and 4.01(A)(5) of the Prior Resolutions and shall next, on the 26th day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the Project, remit to the Depository Bank for deposit in a special account to be designated the "Depreciation Account," which account is hereby continued, a sum equal to $100 ($1,200 per year). No further payments shall be required to be made into said Depreciation Account when there shall have been deposited therein, and so long as there shall remain on deposit therein, an amount equal to one year's maximum principal and interest payments on all Outstanding Bonds. All funds in said Depreciation Account shall be kept apart from all other funds, and all or any part of said fund may be invested as provided by Article IX. Withdrawals and disbursements may be made from said Depreciation Account for replacements, emergency repairs, additions, betterments or improvements to the System; deficiencies in the payment of principal and interest on the Bonds and the Prior Bonds, or debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such additions, betterments or improvements.

(6) Thereafter, from the moneys remaining in said Revenue Fund, the Issuer shall make the payments required pursuant to Sections 4.03(A)(6) and (7) of the Prior Resolutions.

(7) If all of the above required payments are then current, the Issuer may use any moneys remaining in the Revenue Fund for the following purposes: (a) for prepayment of the amount, or any part thereof, of the Prior Bonds or the Bonds Outstanding in accordance with the terms thereof (b) additions, betterments or improvements to the System which the Consulting Engineers certify are needed and/or (c) payments of principal and interest on subordinate water revenue bonds, or other obligations which may hereafter be issued by the Issuer on account of the System.

(B) All of the funds and accounts provided for above shall constitute trust funds and shall be used only for the purposes provided herein.

(C) The moneys in excess of the sum insured by the maximum amounts insured by the FDIC in the Revenue Fund, in the Reserve Accounts and in the Depreciation Account shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or such other obligations as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

(D) If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which

would otherwise be required to be made into the funds and accounts on the subsequent payments dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Reserve Accounts have not, as of such date, funded such account to the requirement therefor.

(E) All remittances made by the Issuer to the Government or to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

(F) The Gross Revenues of the System shall only be used for purposes of the System.

Section 5.02. Tap Fees. During the construction of the Project, Tap Fees shall be deposited in the Construction Trust Fund created in Section 6.02 hereof. Following completion of the Project, Tap Fees shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. All the moneys received from time to time from the sale of Bonds shall be deposited in the Construction Trust Fund, hereinafter created.

Section 6.02. Construction Trust Fund. There is hereby created with the Depository Bank a special fund to be known as the "Construction Trust Fund," which fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the Costs of the Project and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, for the payment of interest on the Bonds during construction and for a period up to six months thereafter and for no other purposes whatsoever. The moneys in said fund shall be secured at all times by the Depository Bank, by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Bonds hereby authorized.

Expenditures or disbursements by the Depository Bank from said Construction Trust Fund shall be made only after such expenditures or disbursements shall have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

Interest earned on the funds deposited in the Construction Trust Fund must be remitted, at least quarterly, to the Government.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System which lien is on a parity as to such security with the lien of Prior First Lien Bonds and the Prior 1993 Bonds and senior to the Prior Second Lien Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds herein authorized and to make the payments into the Sinking Funds and the Reserve Accounts and all other payments provided for in this Resolution and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein and therein, to the payment of the principal of and interest on the Bonds and the Prior Bonds as the same become due, and for the other purposes provided in this Resolution and the Prior Resolutions.

Section 7.04. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file in the office of the Governing Body, copies of which will be open to inspection by all interested parties. The schedule of rates and charges shall be sufficient to pay the Operating Expenses of the System, to pay the principal of and interest on all Bonds issued hereunder, to pay the principal of and interest on the Prior Bonds, to provide adequate Reserve Accounts and an adequate Depreciation Fund and to pay all requirements set forth in the Prior Resolutions. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this

covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable Operating Expenses of the System, and to fund any reserves required by the PSC Order or any supplement or amendment thereto, and (ii) to leave a balance each year equal to the maximum amount required in any succeeding fiscal year to pay the principal of and interest on the Bonds and the Prior Bonds and to leave a balance each fiscal year equal to at least 115% of the average annual debt service on the Bonds and the Prior Bonds Outstanding and all other obligations of the Issuer, secured by or payable from such revenues prior to or on a parity with the Bonds and the Prior Bonds, provided that when the Reserve Funds for the Prior Bonds and the Bonds are funded at the maximum level required therefor, then the balance each year must be equal to at least 110% of the amount required to pay the maximum principal and interest due on the Bonds and the Prior Bonds in any ensuing year; provided however, upon the payment in full or defeasance of the Prior Bonds, the coverage requirement pursuant to this Resolution is 110%.

Section 7.05. Sale of the System. So long as the Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government, and such consent will specify the disposition of any such sale or transfer. So long as the Prior Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of only in accordance with the terms of the Prior Resolutions and with the written consent of the Government.

Section 7.06. Issuance of Additional Bonds. No Additional Bonds, as in this section defined, payable out of the revenues of the System shall be issued after the issuance of the Bonds pursuant hereto, except under the conditions and in the manner herein provided, and as long as the Prior Bonds are Outstanding, no Additional Bonds secured by the revenues of the System shall be issued except under the conditions and in the manner provided herein and in the Prior Resolutions. As long as the Bonds are Outstanding, no Additional Bonds shall be issued without the advance written consent of the Government.

Section 7.07. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the PSC. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other

bookkeeping records as prescribed by the Government. The Government shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Government shall be reported to such agent of the Issuer as the Government shall direct.

The Issuer shall file with the Consulting Engineers, and the Government, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses and Net Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Government, or any other original purchaser of the Bonds. Such audit report submitted to the Government shall include a statement that the Issuer is in compliance with the terms and provisions of this Resolution and the Prior Resolutions.

The Issuer shall keep and preserve all financial records for a period of ten (10) years, and such material, upon request, will be made available for public inspection.

Section 7.08. Fiscal Year; Budget. While the Bonds are Outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the annual budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of such annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Board. Copies of each annual budget shall be delivered to the Government by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the adoption of the annual budget; provided, however, that no such monthly budget

shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a budget of current expenses shall not constitute compliance with the covenant to adopt an annual budget unless the Issuer's failure to submit an annual budget shall be for a reason beyond the control of the Issuer. Each such budget of current expenses shall be delivered and mailed immediately as in the case of the annual budget.

Section 7.09. Services Rendered by the System. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.10. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals, or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent, to the full extent permitted or authorized by the laws of the State and the rules and regulations of the Public Service Commission. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

To the extent allowed by law and the PSC, whenever any rates, rentals or charges for the services and facilities of the System, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent and the owner, user and property shall be held liable at law until such time as all such rates and charges are fully paid.

The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the PSC, for any account not paid within sixty (60) days, discontinue and shut off the services and facilities of the System and, in the event the Issuer owns a sewer facility (the "Sewerage System"), the Sewerage System to all users of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System have been paid in full and all accrued penalties plus a reconnection charge have been paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.11. Insurance and Bonds. The Issuer hereby covenants and agrees that, so long as the Bonds remain Outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(B) Public Liability Insurance, with limits of not less than $500,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

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

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerks of The County Commissions of Fayette, Nicholas and Clay Counties prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bonds will be provided as to every officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or valuable property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available.

(G) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as the Government holds any of the Bonds, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each prime contractor to carry insurance, of such types and in such amounts as the Government may specify, as long as such amounts are not less than any amounts acquired by the Prior Resolutions as long as the Prior Bonds are outstanding, and with insurance carriers or bonding companies acceptable to the Government.

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

Section 7.13. Consulting Engineer. The Issuer will retain recognized, qualified independent Consulting Engineers on an annual basis to supervise generally the operation, maintenance and renewal of the System and report annually to the Issuer in writing their recommendations and comments as to the System. Such annual report of the Consulting Engineers or a summary thereof shall be made available at reasonable times to the Government and to any Bondholder requesting the same.

Section 7.14. Contracts. Not later than simultaneously with the delivery of the Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of the project.

Section 7.15. Statutory Mortgage Lien. For the further protection of the Holders of 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 delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds; provided however, that the statutory mortgage lien in favor of the Holders of the Bonds issued hereunder shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior First Lien Bonds and the Prior 1993 Bonds. The statutory mortgage lien in favor of the Holders of the Prior Second Lien Bonds shall be junior and subordinate to the statutory mortgage lien in favor of the Holders of the Bonds, the Prior First Lien Bonds and the Prior 1993 Bonds.

Section 7.16. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 7.17. Funds and Accounts Under Prior Resolutions. The Issuer hereby covenants that all payments into the respective funds and accounts created under the Prior

Resolutions will have been made in full as required by the Prior Resolutions prior to the date of delivery of the Bonds.

Section 7.18. Covenant to Amend Resolution. The Issuer retains the right to make any amendments, insertions or deletions by Supplemental Resolution of this Resolution as the Issuer deems necessary prior to the issuance of the Bonds to meet the requirements of the Government.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Bonds.

(A) If default occurs in the due and punctual payment of the principal of or interest on any Bonds, including the Prior Bonds and the Bonds issued herewith.

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Resolution, any Supplemental Resolution or the Bonds and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Government, the Depository Bank, the Bond Registrar, any Paying Agent or a Registered Owner of a Bond;

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

(D) If a default occurs with respect to the Prior Bonds; or

(E) The use on any proceeds of this Bond for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Bonds, or the rights of such Registered Owners.

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and

segregation of the revenues therefrom and the application thereof. If there be any Event of Default, with respect to the Bonds, the Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree

permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

Section 8.04. Remedies on Prior Bonds. The exercise of any remedy set forth in Sections 7.02 and 7.03 above shall recognize and protect the parity rights of the owners of the Prior Bonds.

ARTICLE IX

INVESTMENTS

Section 9.01. Investments. Unless otherwise directed by the Government, any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission or the Depository Bank, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section.

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, including but not limited to those in the Construction Trust Fund, and used for the purpose of such fund or account. The interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the Owner, including the value of accrued interest and giving effect to the amortization of discount and investments in the "consolidated fund" of the West Virginia Board of Investments shall be valued at par. The Commission or the Depository Bank, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. Such Depository Bank may make any and all investments permitted by this Section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under the section:

A. Qualified Investments acquired from the Reserve Accounts shall have maturities or be subject to redemption at the option of the Holder within five (5) years from the date of acquisition.

B. Qualified Investments acquired for the Depreciation Fund shall have maturities or be subject to redemption at the option of the Holder within ten (10) years from the date of acquisition.

C. Qualified Investments may be purchased for the Reserve Accounts either in the open market or from the Construction Trust Fund. If so purchased from the

Construction Trust Fund, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

ARTICLE X

MISCELLANEOUS

Section 10.01. Modification or Amendment. Except as provided in Section 7.18, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the respective rights of Owners of the Bonds shall be made without the consent in writing of the Owners of 66-2/3 percent or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the Net Revenues of the System without the consent of the respective Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds respectively, required for consent to the above-permitted amendments or modifications.

Section 10.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution, any Supplemental Resolution or the Bonds.

Section 10.03. 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 10.04. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, in conflict with this Resolution are, to the extent of such conflict, repealed; provided, that no provision of Government Form 1942-47 or the Prior Resolutions shall be repealed hereby.

Section 10.05. Covenant of Due Procedure. 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 10.06. Satisfaction and Discharge. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and

in this Resolution, then the respective pledges of Net Revenues, and other moneys and securities pledged under this Resolution, and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. Any payment must comply with the terms of the Letter of Conditions and any Government regulations.

Section 10.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

Adopted this 26th day of June, 1997.

GAULEY RIVER PUBLIC SERVICE DISTRICT

[SEAL]

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Gauley River Public Service District on the 26th day of June, 1997.

[SEAL]

Secretary, Public Service Board

EXHIBIT A

PROJECT DESCRIPTION

The District proposes to construct approximately 16,000 feet of 8-inch, 14,600 feet of 6-inch and 8,000 feet of 2-inch water lines, 4,000 feet of service line, hydrants, meters, valves, a booster station and a water storage tank, all which constitute water line extensions to the areas of Jodie, Beech Glen, Rich Creek and Swiss in Fayette and Nicholas Counties.

EXHIBIT B

MEMORANDUM OF UNDERSTANDING

37036

PSD

MEMORANDUM OF UNDERSTANDING

between

**WEST VIRGINIA DIVISION
OF ENVIRONMENTAL PROTECTION**

and

**GAULEY RIVER
PUBLIC SERVICE DISTRICT**

WHEREAS the West Virginia Division of Environmental Protection (WVDEP) is charged with the reclamation of lands and waters affected by the adverse effects of coal mining activities which took place prior to August 3, 1977, pursuant to Title IV of Public Law 95-87, as amended, and West Virginia Code §§ 22-2-1 to -9 (1994); and

WHEREAS it has been determined that the degradation of the water supply in the area of Jodie, Beech Glen, and Rich Creek in Fayette County, West Virginia has been caused in part by coal mining activities which took place prior to August 3, 1977; and

WHEREAS Gauley River Public Service District (GRPSD) and WVDEP are desirous of abating said effects by constructing water supply line extension facilities; and

WHEREAS WVDEP has funds available to assist in the construction and completion of said water supply line facilities; and

WHEREAS WVDEP and GRPSD are willing to cooperate in completing a project entitled "Gauley River Public Service Water Line Extension" which will bring domestic water service to approximately 320 residents in the Jodie, Beech Glen, and Rich Creek areas;

NOW, THEREFORE, WVDEP and GRPSD enter into this Memorandum of Understanding (MOU) this 20th day of May, 1997, setting forth the agreed terms and conditions under which said project shall be accomplished.

SECTION I
PROJECT LOCATION

The center of the project is at north Latitude 37° 13' 44" and west Longitude 81° 08' 55". It includes approximately 320 residents in the communities of Jodie and Beech Glen and in the Rich Creek area. (See attached map marked as Attachment "A" and by reference incorporated herein.)

SECTION II
NEED FOR THE PROJECT

The primary source of water for domestic use in the communities of Jodie and Beech Glen and the Rich Creek area is ground water, the quality of which is very poor. Many residents in this area are compelled to buy their water and wash clothes in nearby towns.

The main water pollution problems affecting these residents are red water, hard water, and iron water. The water stains fixtures and clothing and has an odor and a bad taste. Out of 201 residents interviewed, 80.6 percent want a public water system in the area. The interviews also showed that the water quality complaints are as follows: 68.2 percent complained that the water is red or has high iron content; 57.7 percent complained that it stains fixtures and clothes; 51.7 percent complained they have hard water; 37.3 percent

complained that the water has an odor; and 80 percent said that the water has a bad taste. Such complaints are typical of waters that have been degraded by mining activity.

Chemical analysis data from a feasibility report conducted by GAI Consultants, Inc. (GAI), indicated that excessive levels of iron have been found in existing water sources in this area. High iron levels can be indicative of water supply degraded by mining activity. Other water quality parameters examined by GAI also indicate that the quality of the existing water sources has been adversely affected by mining. Thus, it has been established that the ground water in the communities of Jodie and Beech Glen and the area of Rich Creek is substandard for drinking and other purposes and that it poses a health hazard for those citizens who must drink it.

A major cause of the degraded water is that historic and intense coal mining activities have occurred within the communities of Jodie and Beech Glen and the area of Rich Creek. The history of mining in these communities began and ended pre-1977.

SECTION III
SCOPE OF WORK

1. The work will generally consist of the extension of Gauley River Public Service District lines from the east portion of Belva along State Route 39, 4.1 miles up Gauley River, 1.7 miles up Rick Creek, and 2.4 miles up Little Elk Creek. The work will include the installation of approximately 26,500 feet of eight inch (8") PVC pipe and 3,360 feet of six inch (6") PVC pipe. The proposed facilities will consist of approximately 39,750 lineal feet of

water main and service line with associated appurtenances and fittings, 225 water meters for residential service, one water storage tank, and a water booster station.

2. ~~Title to and responsibility for the operation and maintenance of the completed facilities shall pass to Gauley River Public Service District upon completion of the project.~~ 6/19/97 RSD

SECTION IV
CONSTRUCTION MONITORING

1. It is understood and agreed that without prior approval from WVDEP, GRPSD shall not commence contract bidding or issue the Notice to Proceed.

2. GRPSD agrees to provide inspection expertise on and of the project as necessary to maintain sufficient surveillance of the construction operations and will be responsible for monitoring quantities, reviewing submitted construction invoices, as well as overseeing the initiation and processing of change orders (if accepted by WVDEP) in accordance with established WVDEP procedures. It is understood that WVDEP shall be contacted in advance of inspections and shall have the opportunity to participate in inspections of construction.

3. The WVDEP and the GRPSD representatives shall work together to ensure that the project is constructed according to the approved design plans and specifications, and in accordance with the costs agreed to by the bidder that is awarded the project. The GRPSP will have the authority to review and approve minor field changes in the work, to the extent that said field changes do not constitute a change in the scope of work. The WVDEP will be

furnished a copy of all proposed change orders. Prior approval from WVDEP must be obtained on all change orders that would substantially increase construction costs.

4. Copies of all Contract Documents, Inspection Reports, Shop Drawings, Plans and Specifications as well as other such construction related documents shall be provided in a timely fashion to WVDEP.

SECTION V
FUNDING

1. WVDEP and GRPSD agree to pay the costs of construction, based upon a total estimated construction costs of $1,964,760.00. The GRPSD shall pay $923,437.20 as its actual contribution toward the total estimated construction costs associated with this project. The WVDEP shall pay $1,041,322.80 as its actual contribution toward the total estimated construction costs associated with this project. The WVDEP's portion of construction costs is bases on the proportion of the entire project that is eligible for Abandoned Mine Land funding.

2. In the event it appears the total costs of construction will exceed the estimated construction costs, the GRPSD shall notify WVDEP. The WVDEP and GRPSD will pay their respective portions of excess cost if prior approval of WVDEP was obtained. The WVDEP and GRPSD agree to pay for all such costs in the percentages of 53% for WVDEP, and 47% for GRPSD .

3. GRPSD agrees to perform and to pay for all the realty and realty rights-of-way work associated with the project in accordance with procedures utilized by the WVDEP

Abandoned Mine Lands. Upon request from WVDEP, GRPSD shall certify that all realty and realty rights-of-way necessary for this project have been acquired and supply WVDEP with the documents related thereto.

4. GRPSD agrees to be responsible, at its cost, for design of the project, contract bidding and awarding the contract for the project. It is understood and agreed that without prior approval from WVDEP, GRPSD shall not commence contract bidding or issue the subsequent Notice to Proceed. WVDEP shall also be given seven (7) days advance notice of pre-construction, progress and final conferences.

5. GRPSD agrees to, if necessary, pay for and obtain the Certificate of Convenience and Necessity for the project through the Public Service Commission of West Virginia, and all other necessary permits required by law, except those which are required to be obtained by the construction contractor by the contract documents for the project. GRPSD further agrees that all permits, authorizations and other necessary approvals will be obtained to satisfy federal laws and regulations and copies of the same furnished to WVDEP.

SECTION VI
PAYMENTS

GRPSD will pay invoices from the construction contractor for project costs. After GRPSD has paid such invoices, GRPSD will submit them to WVDEP for payment of WVDEP's portion of project costs, per section V, paragraphs 1 and 2.

SECTION VII

EXTENSION AND TERMINATION

This MOU is entered into and is effective for the period beginning at the date of this MOU, May 20, 1997 and ending one year thereafter. This MOU may be extended upon prior written approval of both parties, or may be terminated prior to commencement of construction, by either party, upon thirty (30) days prior written notice to the other party.

This project may be subject to the approval of the Public Service Commission of West Virginia.

WITNESS the following signatures and seals:

JOHN E. CAFFERY, DIRECTOR
WEST VIRGINIA DIVISION OF
ENVIRONMENTAL PROTECTION

GAULEY RIVER PUBLIC
SERVICE DISTRICT

By: Russell St. Durango

Its: Chairman

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, INTEREST RATES, AND SALE PRICES OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1997 A AND SERIES 1997 B, DESIGNATING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; SETTING FORTH REGISTRATION INFORMATION; APPROVING THE LINE OF CREDIT AND MAKING OTHER PROVISIONS AS TO THE BONDS;

WHEREAS, the Public Service Board (the "Board") of the Gauley River Public Service District (the "District") has duly and officially adopted a Bond Resolution on June 26, 1997 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS FACILITY OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF $471,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS AND THE SALE THEREOF TO THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A LINE OF CREDIT NOT TO EXCEED $300,000; PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of Water Revenue Bonds, Series 1997 A and Water Revenue Bonds, Series 1997 B (collectively, the "Bonds") of the Gauley River Public Service District in an aggregate principal amount not to exceed $471,000 and the sale thereof to the United States Department of Agriculture, Rural Utilities Service (the "RUS"), all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and the Resolution, and it is provided that the interest rates and sale price of the Bonds should be established by a supplemental resolution and that other matters relating to the Bonds be herein provided for;

WHEREAS, RUS proposes to purchase the Bonds;

WHEREAS, Merchants National Bank has offered to extend a line of credit to the District; and

WHEREAS, the Board of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the price of and the interest rate on the Bonds be fixed hereby in the manner stated herein; that the line of credit be approved and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and (A) there is hereby authorized and ordered to be issued the Gauley River Public Service District Water Revenue Bonds, Series 1997 A in the principal amount of $414,000, and the sale thereof to the RUS. The Bond shall be in the form of one Bond, shall be dated June 26, 1997, shall mature forty years from the date thereof, shall be numbered AR-1 and the principal amount advanced under the Bonds shall bear interest at the rate of four and one-half per centum (4.5%) per annum. Monthly installments of interest only on the amounts advanced under the Bonds are payable monthly, commencing the 26th day of the month following the month of delivery of the Bonds, for the first 24 months after delivery of the Bonds and thereafter, monthly installments of principal and interest on the Bonds, in the aggregate amount of $1,901, are payable on the 26th day of each month, except that the final installment on the Bond shall be made 40 years from the date of the Bond in the sum of the unpaid principal and interest remaining unpaid on the date thereof. The Bond is subject to prepayment as set forth in the Resolution;

(B) There is hereby authorized and ordered to be issued the Gauley River Public Service District Water Revenue Bonds, Series 1997 B in the principal amount of $57,000, and the sale thereof to RUS. The Bond shall be in the form of one Bond, shall be dated June 26, 1997, shall mature forty years from the date thereof, shall be numbered BR-2 and the principal amount advanced under the Bond shall bear interest at the rate of four and one-half per centum (4.5%) per annum. Monthly installments of interest only on the amounts advanced under the Bonds are payable monthly, commencing the 26th day of the month following the month of delivery of the Bonds, for the first 24 months after delivery of the Bonds and thereafter, monthly installments of principal and interest on the Bonds, in the aggregate amount of $262, are payable on the 26th day of each month, except that the final installment of the Bond shall be made 40 years from the date of the Bond in the sum of the unpaid principal and interest remaining unpaid on the date thereof. The Bond is subject to prepayment as set forth in the Resolution.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Board of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District hereby approves and accepts the offer of the RUS to purchase the Bonds. The execution and delivery by the Chairman and Secretary of the Bonds, and the performance of the obligations contained therein, on behalf of the District are hereby authorized, approved and directed. The price of the Series 1997 A Bonds shall be four hundred fourteen thousand dollars ($414,000) and the price of the Series 1997 B Bonds shall be Fifty-seven Thousand Dollars ($57,000) (100% of par value). At least Seventy Two Thousand Three Hundred Ten Dollars ($72,310) (Series 1997A Bonds) and Fifty Seven Thousand Dollars ($57,000) (Series 1997B Bonds) will be advanced on the date of Closing and the remaining purchase price will be advanced to the District as needed to pay the Costs of the Project.

Section 4. All principal and interest payments on the Bonds will be paid to the order of the United States Department of Agriculture at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

Section 5. The Bonds shall be issued as fully registered Bonds, both as to principal and interest, and shall be registered to the United States Department of Agriculture, Rural Utilities Service, P. O. Box 678, Morgantown, West Virginia 26505.

Section 6. The District hereby appoints and designates Merchants National Bank, Gauley Bridge, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 7. The District hereby appoints and designates Merchants National Bank, Montgomery, West Virginia, as Registrar for the Bonds as provided in the Resolution.

Section 8. The line of credit in the amount of $300,000 from Merchants National Bank (the "Line of Credit") is hereby approved pursuant to the terms of the Line of Credit Agreement and the Chairman and Secretary are hereby authorized to sign the Line of Credit Agreement and all other documents related to the Line of Credit.

Section 9. The Chairman and the Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Resolution, the RUS financing and the Line of Credit.

Section 10. The financing of the Project by the Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 11. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: June 26, 1997.

Chairman

[SEAL]

Secretary

57016

GAULEY RIVER PUBLIC SERVICE DISTRICT 2.4
WATER REVENUE BONDS, SERIES 2005 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

BOND RESOLUTION

Table of Contents

		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01.	Definitions	1
Section 1.02.	Authority for this Resolution	7
Section 1.03.	Findings	7
Section 1.04.	Resolution Constitutes Contract	9
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT		
Section 2.01.	Authorization of Acquisition and Construction of Project	10
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS		
Section 3.01.	Authorization of Bonds	11
Section 3.02.	Terms of Bonds	11
Section 3.03.	Execution of Bonds	11
Section 3.04.	Negotiability, Transfer and Registration	11
Section 3.05.	Bonds Mutilated, Destroyed, Stolen or Lost	12
Section 3.06.	Bonds not to be Indebtedness of the Issuer	13
Section 3.07.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	13
Section 3.08.	Form of Bonds	13
	FORM OF SERIES 2005 A BOND	14
Section 3.09.	Sale of Bonds	21

ARTICLE IV

LINE OF CREDIT

Section 4.01.	Authorization of Line of Credit	22

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01.	Establishment of Funds and Accounts with Depository Bank	23
Section 5.02.	Establishment of Funds and Accounts with Commission	23
Section 5.03.	System Revenues; Flow of Funds	23

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01.	Application of Bond Proceeds	27
Section 6.02.	Disbursements from Bond Construction Trust Fund	27

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01.	General Covenants of the Issuer	28
Section 7.02.	Bonds not to be Indebtedness of the Issuer	28
Section 7.03.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	28
Section 7.04.	Initial Schedule of Rates and Charges	28
Section 7.05.	Sale of the System	29
Section 7.06.	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	29
Section 7.07.	Parity Bonds	29
Section 7.08.	Books; Records and Audit	32
Section 7.09.	Rates	33
Section 7.10.	Operating Budget	34
Section 7.11.	Engineering Services and Operating Personnel	34
Section 7.12.	No Competing Franchise	35
Section 7.13.	Enforcement of Collections	35
Section 7.14.	No Free Services	35

Section 7.15.	Insurance and Construction Bonds	35
Section 7.16.	Connections	37
Section 7.17.	Completion and Operation of Project; Permits and Orders	37
Section 7.18.	Statutory Mortgage Lien	37
Section 7.19.	Compliance with Letter of Conditions and Law	37
Section 7.20.	Contracts	38

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01.	Investment of Funds	39

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01.	Events of Default	40
Section 9.02.	Remedies	40
Section 9.03.	Appointment of Receiver	40

ARTICLE X

PAYMENT OF BONDS

Section 10.01.	Payment of Bonds	43

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Modification or Amendment of Resolution	44
Section 11.02.	Resolution Constitutes Contract	44
Section 11.03.	Severability of Invalid Provisions	44
Section 11.04.	Headings, Etc.	44
Section 11.05.	Conflicting Provisions Repealed; Prior Resolutions	44
Section 11.06.	Covenant of Due Procedure	44
Section 11.07.	Effective Date	45

EXHIBIT A - PROJECT DESCRIPTION 47

GAULEY RIVER PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,623,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2005 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF GAULEY RIVER PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Bond Registrar" means the Issuer, which shall so serve by the Secretary of the Issuer.

"Bonds" means, collectively, the Series 2005 A Bonds, the Prior Bonds and any Parity Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"Chairperson" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2005 A Bonds for all or a portion of the proceeds of the Series 2005 A Bonds.

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

"Consulting Engineers" means Pentree, Incorporated, Princeton, West Virginia, or any engineer or firm of engineers, licensed by the State, which shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.03E hereof to be a part of the cost of acquisition and construction of the Project.

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

"Depreciation Account" means the Depreciation Account established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"First Lien Bonds" means, collectively, the Series 1986 A Bonds, the Series 1993 Bonds, the Series 1997 A Bonds and the Series 1997 B Bonds, all as hereinafter defined.

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

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

"Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser of the Series 2005 A Bonds.

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally

accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or any Tap Fees, as hereinafter defined.

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

"Issuer" means Gauley River Public Service District, a public service district, public corporation and political subdivision of the State in Fayette County, operating the System in Fayette, Nicholas and Clay Counties, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions from the Government dated June 20, 2003, and all amendments thereto.

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

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as

provided in Section 10.01 hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Registered Owners, any Bonds registered to the Issuer.

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

"Prior Bonds" means, collectively, the Issuer's (i) Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230; (ii) Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350; (iii) Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000; (iv) Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000; and (v) Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted April 30, 1986, March 17, 1993, and June 26, 1997, authorizing the Prior Bonds.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the System, a description of which is attached hereto as Exhibit A and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

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

(a) Government Obligations;

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

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

Washington Metropolitan Area Transit Authority;

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts of the Series 2005 A Bonds and the Prior Bonds.

"Reserve Requirements" means, collectively, the respective reserve requirements of the Series 2005 A Bonds and the Prior Bonds.

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

"Revenue Fund" means the Revenue Fund established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"Series 1986 A Bonds" means the Issuer's Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230.

"Series 1986 B Bonds" means the Issuer's Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350.

"Series 1993 Bonds" means the Issuer's Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000.

"Series 1997 A Bonds" means the Issuer's Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000.

"Series 1997 B Bonds" means the Issuer's Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000.

"Series 2005 A Bonds" means the Water Revenue Bonds, Series 2005 A (United States Department of Agriculture), of the Issuer, authorized to be issued hereby.

"Series 2005 A Bonds Construction Trust Fund" means the Series 2005 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2005 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2005 A Bonds in the then current or any succeeding year.

"Series 2005 A Bonds Sinking Fund" means the Series 2005 A Bonds Sinking Fund established by Section 5.03A(2) hereof.

"Sinking Funds" means, collectively, the respective sinking funds of the Series 2005 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2005 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2005 A Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Series 2005 A Bonds and the Prior Bonds, including the Sinking Funds, the Reserve Accounts, the Renewal and Replacement Fund and the Depreciation Account.

"System" means the complete public service properties of the Issuer for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired 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.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairperson or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairperson or Acting Secretary.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public service district, public corporation and political subdivision of the State in Fayette County of said State. The Issuer presently owns and operates a public water system in Fayette, Nicholas and Clay Counties. However, the Issuer deems it necessary and desirable for the health, welfare and safety of the inhabitants of the Issuer that there be acquired and constructed the Project, in accordance with the plans and specifications prepared by the Consulting Engineer, which plans and specifications have been approved by the Government and the Issuer.

B. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Government.

C. The estimated maximum cost of acquisition and construction of the Project is $5,910,150, of which $1,623,000 will be obtained from the Series 2005 A Bonds, $3,533,310 will be obtained from a grant from the Government and $753,840 will be obtained from an Abandoned Mine Lands Grant.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest on the Prior Bonds and the Series 2005 A Bonds and to make payments into all funds and accounts provided for in this Resolution and the Prior Resolutions.

E. It is deemed necessary for the Issuer to issue the Series 2005 A Bonds in the aggregate principal amount of not more than $1,623,000, to permanently finance a portion of the costs of acquisition and construction of the Project. Such costs shall be deemed to include the cost of acquisition or construction of any public service properties and any improvements and extensions thereto, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Series 2005 A Bonds prior to and during acquisition or construction and for six months after completion of acquisition or construction of the Project; engineering 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 enterprise, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized, the acquisition or construction of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

F. The Series 2005 A Bonds shall be issued on a parity with the First Lien Bonds and senior and prior to the Series 1986 B Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2005 A Bonds, the Issuer will obtain (1) the certificate of an Independent Certified

Public Accountant stating that the parity and coverage tests of the First Lien Bonds have been met; (2) the written consent of the Registered Owners of the First Lien Bonds to the issuance of the Series 2005 A Bonds on a parity with the First Lien Bonds; and (3) the written consent of the Registered Owners of the Series 1986 B Bonds to the issuance of the Series 2005 A Bonds on a senior and prior basis to the Series 1986 B Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

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

H. It is in the best interests of the Issuer that the Series 2005 A Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions.

I. The Issuer has complied with all requirements of West Virginia law and the Letter of Conditions relating to authorization of the acquisition, construction and operation of the Project and issuance of the Series 2005 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of the PSC Order, the time for rehearing and appeal of which has expired or will have been waived prior to the issuance of the Series 2005 A Bonds.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2005 A Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $5,910,150, in accordance with the plans and specifications prepared by the Consulting Engineers, approved by the Government and the Issuer and heretofore filed in the office of the Governing Body. The proceeds of the Series 2005 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the financing plan submitted to the Government.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purposes of paying a portion of the costs of the Project and paying the costs of issuance of the Series 2005 A Bonds and related costs, there shall be and hereby are authorized to be issued negotiable Series 2005 A Bonds of the Issuer. The Series 2005 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2005 A (United States Department of Agriculture)," in the aggregate principal amount of not more than $1,623,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution.

Section 3.02. Terms of Bonds. The Series 2005 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the legal maximum rate, payable monthly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2005 A Bonds.

The Series 2005 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Bond form.

Section 3.03. Execution of Bonds. The Series 2005 A Bonds shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairperson, and the seal of the Issuer shall be impressed thereon and attested by the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Transfer and Registration. The Series 2005 A Bonds shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but the Bonds, and the right to principal of and stated interest on the Bonds, may only be transferred by transfer of the registration thereof upon the books of the Bond Registrar, by the party in whose name it is registered, in person or by

attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2005 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No registration of transfer of the Series 2005 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Bonds.

The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, books for the registration and transfer of the Series 2005 A Bonds and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2005 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2005 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2005 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, 1520 Market Street, 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. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2005 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing the Issuer proof of ownership and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur.

All Bonds so surrendered shall be canceled and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.06. Bonds not to be Indebtedness of the Issuer. The Series 2005 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System, as herein provided. No Registered Owner of the Series 2005 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2005 A Bonds or the interest thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2005 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2005 A Bonds and the Prior Bonds and to make the payments into all funds and accounts provided for in this Resolution and the Prior Resolutions, are hereby irrevocably pledged to such payments as they become due.

Section 3.08. Form of Bonds. The text of the Series 2005 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2005 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2005 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 $_____

FOR VALUE RECEIVED, on this __ day of _____, 2005, GAULEY RIVER PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Fayette, Nicholas and Clay Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of _____DOLLARS ($_____), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of __% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of $_____, 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 below. This consideration 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 the Issuer as requested by the Issuer 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 the Issuer. Extra payments, as defined in the regulations of the

Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security 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 the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements and extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 200_, and a Supplemental Resolution duly adopted by the Issuer on _____, 200_ (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230; (2) WATER REVENUE BONDS, SERIES 1993, DATED MARCH 17, 1993, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,600,000; (3) WATER REVENUE BONDS, SERIES 1997 A, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $414,000; AND (4) WATER REVENUE BONDS, SERIES 1997 B, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $57,000 (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "SERIES 1986 B BONDS"). THE FIRST LIEN BONDS AND THE SERIES 1986 B BONDS ARE COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the First Lien Bonds, and from moneys in the reserve account created under the Resolution for this Bond (the "Series 2005 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2005 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on this Bond and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2005 A Bonds Reserve Account, an amount equal to the maximum amount of principal and interest which will become due on this Bond in any year, and in the respective reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner of this Bond for the terms of which reference is made to the Resolution. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements in the Resolution, this Bond is transferable, as provided in the Resolution, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Resolution, shall be applied solely to payment of the costs of acquisition and construction of

the Project and the costs of issuance hereof as described in the Resolution, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

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

IN WITNESS WHEREOF, GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

_____

Chairperson

[SEAL]

ATTEST:

_____

Secretary

(Form of)

RECORD OF ADVANCES

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

TOTAL $

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, __.

_____

In the presence of:

_____

Section 3.09. Sale of Bonds. The Series 2005 A Bonds shall be sold to the Government pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions is hereby approved and the provisions of the Letter of Conditions are specifically incorporated in this Resolution.

ARTICLE IV

LINE OF CREDIT

Section 4.01. Authorization of Line of Credit. To provide funds for paying the costs of acquisition and construction of the Project when funds from the permanent financing are temporarily not available therefor, the Issuer is hereby authorized to arrange for a line of credit in an amount not to exceed $300,000 (the "Line of Credit"). The amount and terms of the Line of Credit shall be approved by a resolution supplemental hereto. For the purpose of evidencing any draw upon the Line of Credit, there may be issued a note of the Issuer in an amount and upon such terms as set forth in a resolution supplemental hereto (the "Note"). The text of the Note, the Line of Credit Agreement and all other documents relating thereto shall be in substantially the forms set forth in a resolution supplemental hereto. The principal of and interest on the Note are payable solely from and secured by a first lien on the proceeds of the Series 2005 A Bonds.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions);

(3) Depreciation Account (established by the Prior Resolutions); and

(4) Series 2005 A Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special account is created with and shall be held by the Commission:

(1) Series 2005 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities and as provided in the Prior Resolutions.

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

(2) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the interest payments on the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 30 days following the date of delivery of the Series 2005 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2005 A Bonds Sinking Fund hereby established at the National Finance Office, the amount of interest set forth in the Series 2005 A Bonds.

(3) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the principal payments of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2005 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2005 A Bonds Sinking Fund, the amount of principal set forth in the Series 2005 A Bonds.

The deposits into the Series 2005 A Bonds Sinking Fund provided in this paragraph and in Section 5.03A (2) above, constitute actual payments of principal of and interest on the Series 2005 A Bonds to the Government.

(4) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the reserve account payments into the Reserve Accounts of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2005 A Bonds and continuing on the corresponding day of each month, remit to the Commission for deposit in the Series 2005 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2005 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2005 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2005 A Bonds Reserve Requirement.

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

(6) The Issuer shall next, each month, from the moneys in the Revenue Fund, make the payments into the Depreciation Account in the amounts and on the dates required by the Prior Resolutions.

(7) The Issuer shall next, on the first day of each month, from the moneys in the Revenue Fund, remit to the Commission for deposit (i) in the Series 1986 B Bonds Sinking Fund, the amount required by the Prior Resolutions to pay principal of the Series 1986 B Bonds, and (ii) in the Series 1986 B Bonds Reserve Account, the amount required by the Prior Resolutions.

Moneys in the Series 2005 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2005 A Bonds as the same shall become due. Moneys in the Series 2005 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest on the Series 2005 A Bonds as the same shall come due, when other moneys in the Series 2005 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2005 A Bonds Reserve Account (if fully funded) shall be transferred, not less than once each year, to the Series 2005 A Bonds Construction Trust Fund during construction of the Project and thereafter, to the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2005A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2005 A Bonds Reserve Account which result in a reduction in the balance therein to an amount below the Series 2005 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2005 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay any interest on such Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

Interest, principal, or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2005 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2005 A Bonds Reserve Account created hereunder, and all amounts required for such account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Government, the Issuer shall make the necessary arrangements whereby required payments into the Series 2005 A Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates hereunder.

Moneys in the Series 2005 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2005 A Bonds under the conditions and restrictions set forth herein.

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

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

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

E. If, on any monthly payment date, the revenues are insufficient to place the required amount in any of the funds and accounts as herein above provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Section 5.03A hereof, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority.

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. All moneys received from time to time from the sale of the Series 2005 A Bonds shall be deposited in the Series 2005 A Bonds Construction Trust Fund and shall be used solely to pay costs of the Project and until so expended, are hereby pledged as additional security for the Series 2005 A Bonds.

Section 6.02. Disbursements from Bond Construction Trust Fund. The Series 2005 A Bonds Construction Trust Fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the costs of the Project and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the costs of the Project and payment of interest on the Series 2005 A Bonds prior to and during construction and for a period up to six months after completion of construction and for no other purposes whatsoever. If approved by the Government, the moneys in said fund shall be secured at all times by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Series 2005 A Bonds Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Registered Owners of the Series 2005 A Bonds.

Expenditures or disbursements from the Series 2005 A Bonds Construction Trust Fund shall be made only after such expenditures or disbursements have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

The Issuer shall coordinate with the Government on the monthly payment of the costs of the Project and shall submit invoices and requisitions as directed by the Government.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2005 A Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2005 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2005 A Bonds or the interest thereon are Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2005 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Registered Owner of the Series 2005 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2005 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2005 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2005 A Bonds and to make the payments into all funds and accounts and all other payments provided for in this Resolution and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein and therein, to such payments as the same become due, and for the other purposes provided in this Resolution and the Prior Resolutions.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by state law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of this Resolution and the Prior Resolutions. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved in the PSC Order and such rates are hereby adopted.

So long as the Series 2005 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all

such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2005 A Bonds shall prove to be insufficient to produce the required sums set forth in this Resolution, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. So long as the Series 2005 A Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of, or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government and such consent will specify the disposition of any such sale or transfer.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as the Series 2005 A Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2005 A Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof and in the Prior Resolutions (so long as the Prior Bonds are Outstanding). All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2005 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein and in the Prior Resolutions have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the liens of the Series 2005 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2005 A Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as the Prior Bonds are Outstanding, no Parity Bonds shall be issued except in accordance with the terms of the Prior Resolutions. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner provided herein and with the prior written consent of the Government.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Prior Bonds and the Series 2005 A Bonds.

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

So long as the Series 2005 A Bonds are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds then Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Series 2005 A Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2005 A Bonds are no longer Outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

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

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

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Registered Owners of the Series 2005 A Bonds and the Registered Owners of any Parity Bonds issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2005 A Bonds.

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

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

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of the Series 2005 A Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body.

The Issuer shall file with the Government or any Registered Owner of the Series 2005 A Bonds requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with

the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2005 A Bonds and shall submit said report to the Government. Such audit report submitted to the Government shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and this Resolution and that the Gross Revenues are adequate to meet the Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to issuance of the Series 2005 A Bonds, approvals of equitable rates or charges for the use of and service rendered by the System shall have been obtained in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reductions in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 2005 A Bonds Reserve Account, and

the Reserve Accounts for obligations on a parity with the Series 2005 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services of the System described in Section 7.04.

Section 7.10. Operating Budget. The Issuer shall annually, at least 30 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Government within 30 days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made, except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Government and to any Registered Owner of the Series 2005 A Bonds within 30 days of adoption thereof and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Government and any Registered Owner of the Series 2005 A Bonds or anyone acting for and on behalf of such Registered Owner.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain the certificate of the Consulting Engineers, certifying that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Government, the Project will be adequate for the purposes for which it was designed, the funding plan as submitted to the Government is sufficient to pay the costs of the acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained. The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Government, covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. The Issuer shall employ qualified operating personnel properly certified by the State to operate the System so long as the Series 2005 A Bonds are Outstanding.

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

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

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

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. The Issuer hereby covenants and agrees that, so long as the Series 2005 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the

System. Such insurance shall initially cover the following risks and be in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured prior to acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground insurable portions of the System, including machinery and equipment housed therein, 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 $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from the operation of the System.

(C) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated for the benefit of the Issuer, with limits of not less than $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from such operation of vehicles.

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bonds will be provided as to every member, officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available; 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.

(G) Construction Bonds. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. The Issuer shall verify such insurance prior to commencement of construction.

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

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

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and other state agencies necessary for the acquisition and construction of the Project and the operation of the System and all approvals for the issuance of the Series 2005 A Bonds required by state law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Registered Owners of the Series 2005 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Series 2005 A Bonds; provided however, that the statutory mortgage lien in favor of the Registered Owners of the Series 2005 A Bonds shall be on a parity with the statutory mortgage lien in favor of the Registered Owners of the First Lien Bonds.

Section 7.19. Compliance with Letter of Conditions and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, this Resolution and the Act. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Government or other state, federal or local bodies in regard to the

acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.20. Contracts. The Issuer shall, simultaneously with the delivery of the Series 2005 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2005 A Bonds are Outstanding.

Notwithstanding the foregoing, any investments made pursuant to this Resolution shall comply with the guidelines of the Government.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2005 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Series 2005 A Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2005 A Bonds set forth in this Resolution, any Supplemental Resolution or the Series 2005 A Bonds and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Government, the Depository Bank, the Bond Registrar, the Paying Agent or the Registered Owner; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2005 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2005 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 2005 A Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Series 2005 A Bonds, or the rights of such Registered Owners; provided however, that all rights and remedies of the Registered Owners of the Series 2005 A Bonds shall be on a parity with those of the Registered Owners of the First Lien Bonds and senior and prior to those of the Registered Owners of the Series 1986 B Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2005 A Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, the completion of the Project, the making and collection of sufficient rates and charges for services rendered by the System and segregation

of the revenues therefrom and the application thereof. If there be any Event of Default, with respect to the Bonds, the Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of the System shall remain in the

Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay, or there shall otherwise be paid, to the Registered Owners of the Series 2005 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2005 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through direct payment of the entire outstanding principal of and all accrued interest on the Series 2005 A Bonds to the Registered Owners thereof, the Issuer may not defease the Series 2005 A Bonds or provide for payment thereof by escrow or other similar arrangements.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Modification or Amendment of Resolution. Prior to the issuance of the Series 2005 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2005 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the rights of Registered Owners of the Series 2005 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2005 A Bonds then Outstanding; provided, that no change shall be made in the maturity of the Series 2005 A Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2005 A Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Resolution Constitutes Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2005 A Bonds and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution, any Supplemental Resolution or the Series 2005 A Bonds.

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

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

Section 11.06. Covenant of Due Procedure. 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 Chairperson, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred, and are, duly in office and duly qualified for such office.

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

Adopted this 31st day of October, 2005.

Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on the 31st day of October, 2005.

Dated this 2nd day of November, 2005.

[SEAL]

Secretary

10/27/05
004046/00312

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of approximately 74,210 feet of 8 inch PVC, approximately 8,491 feet of 8 inch DIP, approximately 15,820 feet of 6 inch PVC, approximately 7,514 feet of 6 inch DIP, approximately 255 feet of 4 inch DIP, approximately 8,179 feet of 2 inch PVC, approximately 280 feet of 2 inch water mains, 38 fire hydrant assemblies, 2 booster stations and 2 water storage tanks (78,000 gallons and 108,000 gallons, respectively) and the upgrading of a booster station at Alta to 280 gpm to serve approximately 264 new customers in the Twentymile and Route 39/Peters Creek areas of Fayette and Nicholas Counties, at Twentymile Creek, Vaughan, Little Elk Mountain, Lyonsville, Lockwood and Drennan, West Virginia, together with all appurtenant facilities.

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2005 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 2005 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DESIGNATING A DEPOSITORY BANK AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Gauley River Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on October 31, 2005 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,623,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2005 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance of the Water Revenue Bonds, Series 2005 A (United States Department of Agriculture), of the Issuer, in the aggregate principal amount not to exceed $1,623,000 (the "Bonds" or the "Series 2005 A Bonds"), all in accordance with Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and in the Resolution it is provided that the exact principal amount,

date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by the Government pursuant to the Letter of Conditions; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2005 A (United States Department of Agriculture), of the Issuer, in the original aggregate principal amount of $1,623,000. The Series 2005 A Bonds shall be issued in the form of one Bond, shall be dated the date of delivery, shall mature forty years from the date thereof, shall be numbered AR-1, and the principal amount advanced under the Series 2005 A Bonds shall bear interest at the rate of 4.25% per annum. Monthly installments of interest only on the amounts advanced under the Series 2005 A Bonds are payable 30 days following the date of delivery of the Series 2005 A Bonds and on the corresponding day of each month thereafter for the first 24 months after the date of delivery of the Series 2005 A Bonds, and thereafter, monthly installments of principal of and interest on the Series 2005 A Bonds, in the aggregate amount of $7,190, are payable on the corresponding day of each month, except that the final installment on the Series 2005 A Bonds shall be paid at the end of 40 years from the date of the Series 2005 A Bonds in the sum of the unpaid principal and interest due on the date thereof. The Series 2005 A Bonds are subject to prepayment as set forth in the Resolution and the Series 2005 A Bonds. All principal and interest payments on the Series 2005 A Bonds will be paid by the Issuer directly to the order of the United States of America at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

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

Section 3. The Issuer hereby approves and accepts the Letter of Conditions and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of

the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates The City National Bank of West Virginia, Gauley Bridge, West Virginia, to serve as the Depository Bank under the Resolution.

Section 5. The proceeds of the Bonds, as advanced from time to time, shall be deposited in the Series 2005 A Bonds Construction Trust Fund for payment of the costs of the Project and the costs of issuance of the Bonds and related costs.

Section 6. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Government pursuant to the Letter of Conditions on or about November 2, 2005.

Section 7. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 8. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Series 2005 A Bonds Reserve Account shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 9. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 10. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairperson is hereby authorized and directed to execute and deliver all such contracts.

Section 11. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 31st day of October, 2005.

Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on the 31st day of October, 2005.

Dated this 2nd day of November, 2005.

[SEAL]

Secretary

10/27/05
004046/00312

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

Table of Contents

Subject		Page
	ARTICLE I	
	STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	
Section 1.01	Authority for this Resolution	1
Section 1.02	Findings	1
Section 1.03	Bond Legislation Constitutes Contract	5
Section 1.04	Definitions	5
	ARTICLE II	
	AUTHORIZATION OF COMPLEITON OF ACQUISITION AND CONSTRUCTION OF THE PROJECT	
Section 2.01	Authorization of Completion of Acquisition and Construction of the Project	15
	ARTICLE III	
	AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT	
Section 3.01	Authorization of Bonds	16
Section 3.02	Terms of Bonds	16
Section 3.03	Execution of Bonds	17
Section 3.04	Authentication and Registration	17
Section 3.05	Negotiability, Transfer and Registration	18
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	19
Section 3.07	Bonds not to be Indebtedness of the Issuer	19
Section 3.08	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	19
Section 3.09	Delivery of Bonds	19

Section 3.10	Form of Bonds	20
	FORM OF SERIES 2007 A BOND	21
Section 3.11	Sale of Bonds; Approval and Ratification of Execution of Loan Agreement	30
Section 3.12	Filing of Amended Schedule	30

ARTICLE IV
[RESERVED] 31

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	32
Section 5.02	Establishment of Funds and Accounts with Commission	32
Section 5.03	System Revenues; Flow of Funds	32

ARTICLE VI
APPLICATION OF BOND PROCEEDS

Section 6.01	Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds	37
Section 6.02	Disbursements From the Bond Construction Trust Fund	37

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	39
Section 7.02	Bonds not to be Indebtedness of the Issuer	39
Section 7.03	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	39
Section 7.04	Initial Schedule of Rates and Charges	40
Section 7.05	Sale of the System	40
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	41
Section 7.07	Parity Bonds	42
Section 7.08	Books; Records and Audit	44
Section 7.09	Rates	46
Section 7.10	Operating Budget and Monthly Financial Report	47
Section 7.11	Engineering Services and Operating Personnel	48
Section 7.12	No Competing Franchise	48

Section 7.13	Enforcement of Collections	48
Section 7.14	No Free Services	49
Section 7.15	Insurance and Construction Bonds	49
Section 7.16	Connections	51
Section 7.17	Completion and Operation of Project; Permits and Orders	51
Section 7.18	[Reserved]	51
Section 7.19	Statutory Mortgage Lien	51
Section 7.20	Compliance with Loan Agreement and Law	52
Section 7.21	Securities Laws Compliance	52
Section 7.22	Contracts; Public Releases	52

ARTICLE VIII
INVESTMENT OF FUNDS

Section 8.01	Investment of Funds	53
Section 8.02	Certificate as to Use of Proceeds	53

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	Events of Default	55
Section 9.02	Remedies	55
Section 9.03	Appointment of Receiver	56

ARTICLE X
PAYMENT OF BONDS

Section 10.01	Payment of Bonds	58

ARTICLE XI
MISCELLANEOUS

Section 11.01	Amendment or Modification of Bond Legislation	59
Section 11.02	Bond Legislation Constitutes Contract	59
Section 11.03	Severability of Invalid Provisions	59
Section 11.04	Headings, Etc.	59
Section 11.05	Conflicting Provisions Repealed; Prior Resolutions	60
Section 11.06	Covenant of Due Procedure, Etc.	60
Section 11.07	Effective Date	61
	SIGNATURES	61
	CERTIFICATION	62

GAULEY RIVER PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE COMPLETION OF, ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE PERMANENT FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $354,818 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF GAULEY RIVER PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer presently owns and operates a public water system in Fayette, Nicholas and Clay Counties. However, it has been deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain improvements and to upgrade the booster station at Alta to serve approximately 264 new customers in the Twentymile and Route 391 Peters Creek areas of Fayette and Nicholas Counties (collectively, the "Project"), which constitute public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (the existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. By a Resolution dated November 2, 2005, the Issuer authorized the funding of a portion of the cost of the Project through the issuance of the Water Revenue Bonds, Series 2005 A (United States Department of Agriculture) ("Series 2005 A Bonds") in the original aggregate amount of $1,623,000. Additionally, the Issuer obtained funding for the Project from a grant from the United States Department of Agriculture in the amount of $3,533,310 and an Abandoned Mine Lands grant of $753,840.

D. During the course of constructing the Project, the Issuer's contractors filed claims for material cost overruns arising from the manufacturer cancellation of contract price under the force majeure clause following the 2005 hurricanes. The contractors' claims were ultimately arbitrated and the contractors were awarded additional payments. As a result, the Issuer must pay these additional payments to the contractor as additional costs of the Project.

E. The Issuer intends to permanently finance this portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Infrastructure Fund administered by the Authority pursuant to the Act.

F. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $354,818 (the "Series 2007 A Bonds"), to permanently finance the costs of completion of the acquisition and construction of the Project. The remaining costs of the Project were funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of acquisition and construction of any public service properties and any improvements and extensions thereto, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, on the Series 2007 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2007 A Bonds Reserve Account (as hereinafter defined); engineering 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 enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

H. It is in the best interests of the Issuer that the Series 2007 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the respective parties

(the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

I. The following outstanding bonds of the Issuer have a first lien on the Net Revenues of the System: (i) Waterworks Revenue Bonds, Series 1986 A, dated May 9, 1986, issued in the original principal amount of $123,230 (the "Series 1986 A Bonds"); (ii) Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000 (the "Series 1993 Bonds"); (iii) Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000 (the "Series 1997 A Bonds"); (iv) Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000 (the "Series 1997 B Bonds"); and (v) the Series 2005 A Bonds (collectively the "First Lien Bonds").

The following outstanding bonds of the Issuer have a second lien on the Net Revenues of the System: Supplemental Waterworks Subordinate Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350 (the "Series 1986 B Bonds" and collectively with the First Lien Bonds, the "Prior Bonds").

The Series 2007 A Bonds shall be issued on a parity with the First Lien Bonds and senior and prior to the Series 1986 B Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Lien Bonds have been met; (ii) the written consent of the Registered Owner of the First Lien Bonds to the issuance of the Series 2007 A Bonds on a parity with the First Lien Bonds; and (iii) the written consent of the Registered Owner of the Series 1986 B Bonds to the issuance of the Series 2007 A Bonds on a senior and prior basis to the Series 1986 B Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

J. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest, if any, on the Series 2007 A Bonds and the Prior Bonds and all funds and accounts and other payments provided for herein.

K. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, and the issuance of the Series 2007 A Bonds, or

will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia (the "PSC") by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2007 A Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2007 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2007 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing Body.

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

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

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

"Bonds" means, collectively, the Series 2007 A Bonds, the Prior Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

"Chairperson" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing Body.

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

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

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

"Consulting Engineers" means Pentree, Incorporated, Princeton, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.02F hereof to be a part of the cost of acquisition and construction of the Project, and those additional costs described in Section 1.02D that have been awarded to the contractor.

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

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

"Depreciation Reserve" means the Depreciation Reserve created by the Prior Resolutions and continued by Section 5.01 hereof.

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

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

"First Lien Bonds" means, collectively, the Series 1986 A Bonds, the Series 1993 Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, and the Series 2005 A Bonds.

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

"Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service.

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

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does

not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means:

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means Gauley River Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Fayette County, West Virginia, operating the system in Fayette, Nicholas and Clay

Counties and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2007 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2007 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered,

except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Registered Owners, any Bonds registered to the Issuer.

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2007 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1986 A Bonds, the Series 1986 B Bonds, the Series 1993 Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds and the Series 2005 A Bonds of the Issuer, all as described in Section 1.02G and 1.02C hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account.

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

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

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

(a) Government Obligations;

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

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

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

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

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

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

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts of the Series 2007 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

"Revenue Fund" means the Revenue Fund created by the Prior Resolutions and continued by Section 5.01 hereof.

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

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 2007 A Bonds Construction Trust Fund" means the Series 2007 A Bonds Construction Trust Fund created by Section 5.01 hereof.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account created by Section 5.02 hereof.

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

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund created by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds of the Series 2007 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2007 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2007 A Bonds, and not so included, may be included in another Supplemental Resolution.

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

"System" means the complete public service properties of the Issuer for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired 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.

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

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairperson or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairperson or Acting Secretary.

ARTICLE II

AUTHORIZATION OF COMPLETION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Completion of Acquisition and Construction of the Project. There is hereby authorized and ordered the completion of acquisition and construction of the Project, at an estimated cost of $6,264,968, 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 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and has entered into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Council.

The cost of the Project is estimated to be $6,264,968 of which approximately $354,818 will be obtained from proceeds of the Series 2007 A Bonds to complete the Project. The Project was also financed with $1,623,000 from the proceeds of the Series 2005 A Bonds, $3,533,310 from an United States Department of Agriculture (Rural Utility Services) Grant and $753,840 from an Abandoned Mine Lands Grant.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2007 A Bonds, funding the Series 2007 A Bonds Reserve Account, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 2007 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2007 A Bonds of the Issuer. The Series 2007 A Bonds shall be issued as a single bond, designated as "Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)," in the principal amount of not more than $354,818, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2007 A Bonds remaining after funding the Series 2007 A Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 2007 A Bonds, if any, shall be deposited in or credited to the Series 2007 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2007 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2007 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2007 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2007 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2007 A Bonds. The Series 2007 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully

registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2007 A Bonds shall be executed in the name of the Issuer by the Chairperson, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2007 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2007 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any such Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of such Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2007 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered Owner, in accepting the Series 2007 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Registered Owner shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide registered owner for value.

So long as the Series 2007 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 2007 A Bonds shall be transferable only upon the books of the Bond Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto, together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Registered Owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2007 A Bonds or transferring the registered Series 2007 A Bonds is exercised, all such Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All such Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of such Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on such Bonds or, in the case of any proposed redemption of such Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2007 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate, register and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Registered Owner of such Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay such Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2007 A Bonds shall be secured by a first lien on the Net Revenues, on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2007 A Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation and the Prior Resolutions, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2007 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2007 A Bonds to the original purchasers upon receipt of a request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate, register and deliver such Bonds to the original purchasers.

Section 3.10. Form of Bonds. The text of the Series 2007 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2007 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That on this ___day of _____, 200_, GAULEY RIVER PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Gauley River of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 200_.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 200_, and a Supplemental Resolution duly adopted by the Issuer on _____, 200__(collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230; (2) WATER REVENUE BONDS, SERIES 1993, DATED MARCH 17, 1993, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,600,000; (3) WATER REVENUE BONDS, SERIES 1997 A, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $414,000; (4) WATER REVENUE BONDS, SERIES 1997 B, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $57,000; AND (5) WATER REVENUE BONDS, SERIES 2005 A, DATED NOVEMBER 2, 2005, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,623,000 (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "SERIES 1986 B BONDS"). THE FIRST LIEN BONDS AND THE SERIES 1986 B BONDS ARE COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the First Lien Bonds, and from moneys in the reserve account created under the Bond Legislation for this Bond (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2007 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount of principal of and interest, if any, on this Bond payable in any year and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2007 A Bonds Reserve Account, an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner (as defined in the Bond Legislation) of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar (as defined in the Bond Legislation) by the Registered Owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney duly authorized in writing.

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

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

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

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

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

IN WITNESS WHEREOF, GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the date first written above.

[SEAL]

_____

Chairperson

ATTEST:

_____

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2007 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: _____, 200_.

_____

_____, as Registrar

_____

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, ___.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2007 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (established by the Prior Resolutions);

(2) Depreciation Account (established by the Prior Resolutions);

(3) Renewal and Replacement Fund (established by the Prior Resolutions); and

(4) Series 2007 A Bonds Construction Trust Fund.

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

(1) Series 2007 A Bonds Sinking Fund; and

(2) Series 2007 A Bonds Reserve Account.

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

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

(2) The Issuer shall next, each month, from the moneys in the Revenue Fund, make the interest payments on the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions.

(3) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the principal payments of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) remit to the Commission, on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2007 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the reserve account payments into the Reserve Accounts for the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) remit to the Commission, on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon the issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement, until the amount in the Series 2007 A Bonds Reserve Account equals the Series 2007 A Bonds Reserve Requirement; 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 Series 2007 A Bonds Reserve Requirement.

(5) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided that, any deficiencies in any

Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, each month, from the moneys in the Revenue Fund, make the payments into the Depreciation Account in the amounts and on the dates required by the Prior Resolutions.

(7) The Issuer shall next, on the first day of each month, from the moneys in the Revenue Fund, remit to the Commission for deposit (i) in the Series 1986 B Bonds Sinking Fund, the amount required by the Prior Resolutions to pay principal of the Series 1986 B Bonds, and (ii) in the Series 1986 B Bonds Reserve Account, the amount required by the Prior Resolutions.

Moneys in the Series 2007 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2007 A Bonds as the same shall become due. Moneys in the Series 2007 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2007 A Bonds as the same shall come due, when other moneys in the Series 2007 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2007 A Bonds Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2007 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2007 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2007 A Bonds Reserve Account which result in a reduction in the balance therein to below the Series 2007 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2007 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2007 A Bonds Sinking Fund or the Series 2007 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2007 A Bonds then Outstanding and all interest, if any, to accrue until the maturity thereof.

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

The Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account created hereunder, and all amounts required for such accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at any time, the Issuer shall make the necessary arrangements whereby required payments into such accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2007 A Bonds under the conditions and restrictions set forth herein.

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

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

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

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

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

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

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

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 2007 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2007 A Bonds, there shall first be deposited in the Series 2007 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2007 A Bonds for the period commencing on the date of issuance of the Series 2007 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 2007 A Bonds, there shall be deposited in the Series 2007 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2007 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2007 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2007 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2007 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2007 A Bonds shall be expended as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements of proceeds of the Series 2007 A Bonds from the Series 2007 A Bonds Construction Trust Fund shall be made only after submission to and approval from the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

(c) Each of such costs has been otherwise properly incurred; and

(d) Payment for each of the items proposed is then due and owing.

The Issuer shall expend all proceeds of the Series 2007 A Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

Pending such application, moneys in the Series 2007 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2007 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2007 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2007 A Bonds or the interest, if any, thereon are Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Registered Owner of the Series 2007 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2007 A Bonds shall be secured by a first lien on the Net Revenues, on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2007 A Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in and approved by the PSC Order and such rates are hereby adopted.

So long as the Series 2007 A Bonds are Outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2007 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. Additionally, so long as the Series 2007 A Bonds are Outstanding and except as otherwise required by law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2007 A Bonds, be remitted to the Series 2007 A Bonds Sinking Fund and applied to the payment of principal of and interest, if any, on the Series 2007 A Bonds. Any balance remaining after the payment of the Series 2007 A Bonds and interest, if any, thereon shall be remitted to the Issuer unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all

other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amount required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Registered Owners of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owners of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2007 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2007 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2007 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having

priority over or being on a parity with the lien of the Series 2007 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2007 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority, the Council and the Government under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2007 A Bonds.

No such Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition or construction of extensions and improvements to the System or refunding any Outstanding Bonds, or both such purposes.

So long as the 2005 A Bonds are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds then Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Prior Bonds, representing 75% of the then-outstanding

principal indebtedness. In the event the foregoing limitation is waived or when the Series 2005 A Bonds are no longer Outstanding, the following parity requirement shall be met:

When the Series 2005 A Bonds are no longer Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2007 A Bonds.

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

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

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

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

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

The Issuer shall file with the Council and the Authority, or any other original purchaser of the Series 2007 A Bonds, and shall mail in each year to any Registered Owner of the Series 2007 A Bonds, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and to the extent legally required, in compliance with the applicable OMB Circular, or any

successor thereto, and the Single Audit Act, or any successor thereto), and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2007 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2007 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to the issuance of the Series 2007 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to

time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2007 A Bonds Reserve Account and the Reserve Accounts for obligations on a parity with the Series 2007 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 30 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Registered Owner of the Series 2007 A Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the Council and to any Registered Owner of the Series 2007 A Bonds, or anyone acting for and on behalf of such Registered Owner.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the

Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, certifying, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

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

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

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

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

Section 7.14. No Free Services. Except as required by law, the Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2007 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or

destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL *EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR*; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

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

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount

equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

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

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

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

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2007 A Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. [Reserved]

Section 7.19. Statutory Mortgage Lien. For the further protection of the Registered Owner of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2007 A Bonds; provided however, that the statutory mortgage lien of the Series 2007 A Bonds shall be on a parity with the statutory mortgage lien of the First Lien Bonds and senior and prior to the statutory mortgage lien of the Series 1986 B Bonds.

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

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

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

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2007 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2007 A Bonds held in "contingency" as set forth in the schedules attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2007 A Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2007 A Bonds are Outstanding.

Section 8.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2007 A Bonds as a condition to issuance of the Series 2007 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and

applicable to the Series 2007 A Bonds as may be necessary in order to maintain the status of the Series 2007 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2007 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2007 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2007 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2007 A Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2007 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2007 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or a Registered Owner of a Bond; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2007 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Registered Owners of the Series 2007 A Bonds shall be on a parity with those of the Registered Owners of the First Lien Bonds and senior and prior to the Series 1986 B Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2007 A Bonds may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Registered Owners of the Series 2007 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2007 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2007 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2007 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2007 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Registered Owner as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income of the Registered Owners thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2007 A Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2007 A Bonds.

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

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

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

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

Adopted this 13th day of November, 2007.

Chairperson

Member

Member

{C1263301.1}

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of Gauley River Public Service District on the 13th day of November, 2007.

Dated this 13th day of November, 2007.

[SEAL]

Secretary

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; APPROVING AND RATIFYING THE LOAN AGREEMENT WITH RESPECT TO SUCH BONDS; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Gauley River Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on November 13, 2007 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE COMPLETION OF, ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE PERMANENT FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $354,818 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance of the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, in an aggregate principal amount not to exceed $354,818 (the "Bonds" or the "Series 2007 A Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 2007 A Bonds, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority ("the Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be therein provided for;

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

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

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

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single bond, numbered AR-1, in the original principal amount of $354,818. The Series 2007 A Bonds shall be dated the date of delivery, shall finally mature September, 1, 2047, and shall bear no interest. The principal of the Series 2007 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2008, in the amounts set forth in the Schedule Y attached

to the Loan Agreement and incorporated in and made a part of the Series 2007 A Bonds. The Series 2007 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the Registered Owner of the Series 2007 A Bonds.

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

Section 3. The Issuer hereby authorizes, approves, ratifies and accepts the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairperson and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2007 A Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates United Bank, Inc., Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Resolution and approves and accepts the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairperson, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 5. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as Paying Agent for the Bonds under the Resolution.

Section 6. The Issuer hereby appoints and designates City National Bank, Gauley Bridge, West Virginia, to serve as the Depository Bank under the Resolution.

Section 7. Series 2007 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2007 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 2007 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2007 A Bonds Reserve Account.

Section 9. The remaining proceeds of the Series 2007 A Bonds, as advanced from time to time, shall be deposited in the Series 2007 A Bonds Construction

Trust Fund for payment of costs of the Project, including costs of issuance of the Series 2007 A Bonds.

Section 10. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about November 13, 2007.

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

Section 12. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be invested by the Commission in the West Virginia Consolidated Fund.

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

Section 14. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

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

Adopted this 13th day of November, 2007.

Chairperson

Member

Member

CERTIFICATION

Certified as a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Gauley River Public Service District on the 13th day of November, 2007.

Dated this 13 day of November 2007.

[SEAL]

Secretary

GAULEY RIVER PUBLIC SERVICE DISTRICT 2.4(A)
WATER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

BOND RESOLUTION

Table of Contents

		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01.	Definitions	1
Section 1.02.	Authority for this Resolution	8
Section 1.03.	Findings	8
Section 1.04.	Resolution Constitutes Contract	10
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT		
Section 2.01.	Authorization of Acquisition and Construction of Project	11
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS		
Section 3.01.	Authorization of Bonds	12
Section 3.02.	Terms of Bonds	12
Section 3.03.	Execution of Bonds	12
Section 3.04.	Negotiability, Transfer and Registration	13
Section 3.05.	Bonds Mutilated, Destroyed, Stolen or Lost	14
Section 3.06.	Bonds not to be Indebtedness of the Issuer	14
Section 3.07.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	14
Section 3.08.	Form of Bonds	14
	FORM OF SERIES 2010 A BOND	15
Section 3.09.	Sale of Bonds	23

ARTICLE IV

RESERVED

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01.	Establishment of Funds and Accounts with Depository Bank	25
Section 5.02.	Establishment of Funds and Accounts with Commission	25
Section 5.03.	System Revenues; Flow of Funds	25

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01.	Application of Bond Proceeds	30
Section 6.02.	Disbursements from Bond Construction Trust Fund	30

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01.	General Covenants of the Issuer	31
Section 7.02.	Bonds not to be Indebtedness of the Issuer	31
Section 7.03.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	31
Section 7.04.	Initial Schedule of Rates and Charges	31
Section 7.05.	Sale of the System	32
Section 7.06.	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	32
Section 7.07.	Parity Bonds	33
Section 7.08.	Books; Records and Audit	35
Section 7.09.	Rates	36
Section 7.10.	Operating Budget	37
Section 7.11.	Engineering Services and Operating Personnel	38
Section 7.12.	No Competing Franchise	38
Section 7.13.	Enforcement of Collections	38
Section 7.14.	No Free Services	39

Section 7.15.	Insurance and Construction Bonds	39
Section 7.16.	Connections	40
Section 7.17.	Completion and Operation of Project; Permits and Orders	41
Section 7.18.	Statutory Mortgage Lien	41
Section 7.19.	Compliance with Letter of Conditions and Law	41
Section 7.20.	Contracts	41

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01.	Investment of Funds	42

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01.	Events of Default	43
Section 9.02.	Remedies	43
Section 9.03.	Appointment of Receiver	43

ARTICLE X

PAYMENT OF BONDS

Section 10.01.	Payment of Bonds	46

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Modification or Amendment of Resolution	47
Section 11.02.	Resolution Constitutes Contract	47
Section 11.03.	Severability of Invalid Provisions	47
Section 11.04.	Headings, Etc.	47
Section 11.05.	Conflicting Provisions Repealed; Prior Resolutions	47
Section 11.06.	Covenant of Due Procedure	48
Section 11.07.	Effective Date	48

EXHIBIT A - PROJECT DESCRIPTION 50

GAULEY RIVER PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF GAULEY RIVER PUBLIC SERVICE DISTRICT:

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Bond Registrar" means the Issuer, which shall so serve by the Secretary of the Issuer.

"Bonds" means, collectively, the Series 2010 A Bonds, the Prior Bonds and any Parity Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"Chairperson" means the Chairperson of the Governing Body of the Issuer

or any temporary Acting Chairperson duly elected by the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2010 A Bonds for all or a portion of the proceeds of the Series 2010 A Bonds.

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

"Consulting Engineers" means Pentree, Incorporated, Princeton, West Virginia, or any engineer or firm of engineers, licensed by the State, which shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.03E hereof to be a part of the cost of acquisition and construction of the Project.

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

"Depreciation Account" means the Depreciation Account established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"First Lien Bonds" means, collectively, the Series 1986 A Bonds, the Series 1993 Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 2005 A Bonds and the Series 2007 A Bonds, all as hereinafter defined.

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

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

"Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser of the Series 2010 A Bonds.

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

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

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

"Issuer" means Gauley River Public Service District, a public service district, public corporation and political subdivision of the State in Fayette County, operating the System in Fayette, Nicholas and Clay Counties, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions from the Government dated May 6, 2008, and all amendments thereto.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System as hereinafter defined and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, fees and expenses of fiscal agents, depository banks, registrars, paying agents and trustees, other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such

miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Section 10.01 hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Registered Owners, any Bonds registered to the Issuer.

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

"Prior Bonds" means, collectively, the Issuer's (i) Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230; (ii) Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350; (iii) Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000; (iv) Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000; (v) Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000; (vi) Water Revenue Bonds, Series 2005 A, dated November 2, 2005, issued in the original principal amount of $1,623,000; and (vii) Water Revenue Bonds, Series 2007 A, dated November 13, 2007, issued in the original principal amount of $354,818.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted April 30, 1986, March 17, 1993, June 26, 1997, October 31, 2005, and November 13, 2007, authorizing the Prior Bonds.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the System, a description of which is attached hereto as Exhibit A and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

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

(a) Government Obligations;

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

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said

investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the owner 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 Code of West Virginia, 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

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

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

"Reserve Requirements" means, collectively, the respective reserve requirements of the Series 2010 A Bonds and the Prior Bonds.

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

"Revenue Fund" means the Revenue Fund established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"Series 1986 A Bonds" means the Issuer's Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230.

"Series 1986 B Bonds" means the Issuer's Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350.

"Series 1993 Bonds" means the Issuer's Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000.

"Series 1997 A Bonds" means the Issuer's Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000.

"Series 1997 B Bonds" means the Issuer's Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000.

"Series 2005 A Bonds" means the Issuer's Water Revenue Bonds, Series 2005 A, dated November 2, 2005, issued in the original principal amount of $1,623,000.

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated November 13, 2007, issued in the original principal amount of $354,818.

"Series 2010 A Bonds" means the Water Revenue Bonds, Series 2010 A (United States Department of Agriculture), of the Issuer, authorized to be issued hereby.

"Series 2010 A Bonds Construction Trust Fund" means the Series 2010 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2010 A Bonds Reserve Account" means the Series 2010 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2010 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2010 A Bonds in the then current or any succeeding year.

"Series 2010 A Bonds Sinking Fund" means the Series 2010 A Bonds Sinking Fund established by Section 5.03A(2) hereof.

"Sinking Funds" means, collectively, the respective sinking funds of the Series 2010 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2010 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2010 A Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Series 2010 A Bonds and the Prior Bonds, including the Sinking Funds, the Reserve Accounts, the Renewal and Replacement Fund and the Depreciation Account.

"System" means the complete public service properties of the Issuer for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired 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.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairperson or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairperson or Acting Secretary.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public service district, public corporation and political subdivision of the State in Fayette County of said State. The Issuer presently owns and operates a public water system in Fayette, Nicholas and Clay Counties. However, the Issuer deems it necessary and desirable for the health, welfare and safety of the inhabitants of the Issuer that there be acquired and constructed the Project, in accordance with the plans and specifications prepared by the Consulting Engineer, which plans and specifications have been approved by the Government and the Issuer.

B. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Government.

C. The estimated maximum cost of acquisition and construction of the Project is $4,650,000, of which $2,150,000 will be obtained from the Series 2010 A Bonds, $1,000,000 will be obtained from a grant from the Government and $1,500,000 will be obtained from a Small Cities Block Grant.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest on the Prior Bonds and the Series 2010 A Bonds and to make payments into all funds and accounts provided for in this Resolution and the Prior Resolutions.

E. It is deemed necessary for the Issuer to issue the Series 2010 A Bonds in the aggregate principal amount of not more than $2,150,000, to permanently finance a portion of the costs of acquisition and construction of the Project. Such costs shall be deemed to include the cost of acquisition or construction of any public service properties and any improvements and extensions thereto, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Series 2010 A Bonds prior to and during acquisition or construction and for six months after completion of acquisition or construction of the Project; engineering 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 enterprise, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized, the acquisition or construction of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

F. The Series 2010 A Bonds shall be issued on a parity with the First Lien Bonds and senior and prior to the Series 1986 B Bonds, with respect to liens, pledge

and source of and security for payment and in all other respects. Prior to the issuance of the Series 2010 A Bonds, the Issuer will obtain (1) the certificate of an Independent Certified Public Accountant stating that the parity and coverage tests of the First Lien Bonds have been met; (2) the written consent of the Registered Owners of the First Lien Bonds to the issuance of the Series 2010 A Bonds on a parity with the First Lien Bonds; and (3) the written consent of the Registered Owners of the Series 1986 B Bonds to the issuance of the Series 2010 A Bonds on a senior and prior basis to the Series 1986 B Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

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

H. It is in the best interests of the Issuer that the Series 2010 A Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions.

I. The Issuer has complied with all requirements of West Virginia law and the Letter of Conditions relating to authorization of the acquisition, construction and operation of the Project and issuance of the Series 2010 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of the PSC Order, the time for rehearing and appeal of which has expired or will have been waived prior to the issuance of the Series 2010 A Bonds.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2010 A Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $4,650,000, in accordance with the plans and specifications prepared by the Consulting Engineers, approved by the Government and the Issuer and heretofore filed in the office of the Governing Body. The proceeds of the Series 2010 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the financing plan submitted to the Government.

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purposes of paying a portion of the costs of the Project and paying the costs of issuance of the Series 2010 A Bonds and related costs, there shall be and hereby are authorized to be issued negotiable Series 2010 A Bonds of the Issuer. The Series 2010 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2010 A (United States Department of Agriculture)," in the aggregate principal amount of not more than $2,150,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution.

Section 3.02. Terms of Bonds. The Series 2010 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the legal maximum rate, payable monthly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2010 A Bonds.

The Series 2010 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Bond form.

Section 3.03. Execution of Bonds. The Series 2010 A Bonds shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairperson, and the seal of the Issuer shall be impressed thereon and attested by the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Transfer and Registration. The Series 2010 A Bonds shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but the Bonds, and the right to principal of and stated interest on the Bonds, may only be transferred by transfer of the registration thereof upon the books of the Bond Registrar, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2010 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No registration of transfer of the Series 2010 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Bonds.

The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, books for the registration and transfer of the Series 2010 A Bonds and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2010 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2010 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2010 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, 1520 Market Street, 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. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2010 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing the Issuer proof of ownership and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be canceled and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.06. Bonds not to be Indebtedness of the Issuer. The Series 2010 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System, as herein provided. No Registered Owner of the Series 2010 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2010 A Bonds or the interest thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2010 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2010 A Bonds and the Prior Bonds and to make the payments into all funds and accounts provided for in this Resolution and the Prior Resolutions, are hereby irrevocably pledged to such payments as they become due.

Section 3.08. Form of Bonds. The text of the Series 2010 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2010 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 $_____

FOR VALUE RECEIVED, on this ___day of _____, 2010, GAULEY RIVER PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Fayette, Nicholas and Clay Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of _____DOLLARS ($_____), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of __% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of $_____, 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 below. This consideration 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 the Issuer as requested by the Issuer 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 the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security 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 the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements and extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 200_, and a Supplemental Resolution duly adopted by the Issuer on _____, 200__(collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230; (2) WATER REVENUE BONDS, SERIES 1993, DATED MARCH 17, 1993, ISSUED IN THE

ORIGINAL PRINCIPAL AMOUNT OF $1,600,000; (3) WATER REVENUE BONDS, SERIES 1997 A, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $414,000; (4) WATER REVENUE BONDS, SERIES 1997 B, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $57,000; (5) WATER REVENUE BONDS, SERIES 2005 A, DATED NOVEMBER 2, 2005, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,623,000; AND (6) WATER REVENUE BONDS, SERIES 2007 A, DATED NOVEMBER 13, 2007, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $354,818 (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "SERIES 1986 B BONDS"). THE FIRST LIEN BONDS AND THE SERIES 1986 B BONDS ARE COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the First Lien Bonds, and from moneys in the reserve account created under the Resolution for this Bond (the "Series 2010 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2010 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on this Bond and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2010 A Bonds Reserve Account, an amount equal to the maximum amount of principal and interest which will become due on this Bond in any year, and in the respective reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount equal to the requirement

therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner of this Bond for the terms of which reference is made to the Resolution. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements in the Resolution, this Bond is transferable, as provided in the Resolution, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

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

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

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

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

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

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

IN WITNESS WHEREOF, GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

_____
Chairperson

[SEAL]

ATTEST:

_____
Secretary

(Form of)

RECORD OF ADVANCES

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

TOTAL

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, __.

_____

In the presence of:

_____

Section 3.09. Sale of Bonds. The Series 2010 A Bonds shall be sold to the Government pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions is hereby approved and the provisions of the Letter of Conditions are specifically incorporated in this Resolution.

ARTICLE IV

[RESERVED]

ARTICLE V
SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions);

(3) Depreciation Account (established by the Prior Resolutions); and

(4) Series 2010 A Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special account is created with and shall be held by the Commission:

(1) Series 2010 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities and as provided in the Prior Resolutions.

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

(2) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the interest payments on the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 30 days following the date of delivery of the Series 2010 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2010 A Bonds Sinking Fund hereby established at the National Finance Office, the amount of interest set forth in the Series 2010 A Bonds.

(3) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the principal payments of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2010 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2010 A Bonds Sinking Fund, the amount of principal set forth in the Series 2010 A Bonds.

The deposits into the Series 2010 A Bonds Sinking Fund provided in this paragraph and in Section 5.03A (2) above, constitute actual payments of principal of and interest on the Series 2010 A Bonds to the Government.

(4) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the reserve account payments into the Reserve Accounts of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2010 A Bonds and continuing on the corresponding day of each month, remit to the Commission for deposit in the Series 2010 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2010 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2010 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2010 A Bonds Reserve Requirement.

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

(6) The Issuer shall next, each month, from the moneys in the Revenue Fund, make the payments into the Depreciation Account in the amounts and on the dates required by the Prior Resolutions.

(7) The Issuer shall next, on the first day of each month, from the moneys in the Revenue Fund, remit to the Commission for deposit (i) in the Series 1986 B Bonds Sinking Fund, the amount required by the Prior Resolutions to pay principal of the Series 1986 B Bonds, and (ii) in the Series 1986 B Bonds Reserve Account, the amount required by the Prior Resolutions.

Moneys in the Series 2010 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2010 A Bonds as the same shall become due. Moneys in the Series 2010 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest on the Series 2010 A Bonds as the same shall come due, when other moneys in the Series 2010 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2010 A Bonds Reserve Account (if fully funded) shall be transferred, not less than once each year, to the Series 2010 A Bonds Construction Trust Fund during construction of the Project and thereafter, to the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2005A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2010 A Bonds Reserve Account which result in a reduction in the balance therein to an amount below the Series 2010 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2010 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay any interest on such Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

Interest, principal, or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2010 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2010 A Bonds Reserve Account created hereunder, and all amounts required for such account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Government, the Issuer shall make the necessary arrangements whereby required payments into the Series 2010 A Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates hereunder.

Moneys in the Series 2010 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2010 A Bonds Sinking Fund and the Series 2010 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2010 A Bonds under the conditions and restrictions set forth herein.

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

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

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

E. If, on any monthly payment date, the revenues are insufficient to place the required amount in any of the funds and accounts as herein above provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Section 5.03A hereof, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority.

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

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

ARTICLE VI
APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. All moneys received from time to time from the sale of the Series 2010 A Bonds shall be deposited in the Series 2010 A Bonds Construction Trust Fund and shall be used solely to pay costs of the Project and until so expended, are hereby pledged as additional security for the Series 2010 A Bonds.

Section 6.02. Disbursements from Bond Construction Trust Fund. The Series 2010 A Bonds Construction Trust Fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the costs of the Project and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the costs of the Project and payment of interest on the Series 2010 A Bonds prior to and during construction and for a period up to six months after completion of construction and for no other purposes whatsoever. If approved by the Government, the moneys in said fund shall be secured at all times by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Series 2010 A Bonds Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Registered Owners of the Series 2010 A Bonds.

Expenditures or disbursements from the Series 2010 A Bonds Construction Trust Fund shall be made only after such expenditures or disbursements have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

The Issuer shall coordinate with the Government on the monthly payment of the costs of the Project and shall submit invoices and requisitions as directed by the Government.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2010 A Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2010 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2010 A Bonds or the interest thereon are Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2010 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Registered Owner of the Series 2010 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2010 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2010 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2010 A Bonds and to make the payments into all funds and accounts and all other payments provided for in this Resolution and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein and therein, to such payments as the same become due, and for the other purposes provided in this Resolution and the Prior Resolutions.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by state law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of this Resolution and the Prior Resolutions. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved in the PSC Order and such rates are hereby adopted.

So long as the Series 2010 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2010 A Bonds shall prove to be insufficient to produce the required sums set forth in this Resolution, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. So long as the Series 2010 A Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of, or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government and such consent will specify the disposition of any such sale or transfer.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as the Series 2010 A Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2010 A Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof and in the Prior Resolutions (so long as the Prior Bonds are Outstanding). All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2010 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein and in the Prior Resolutions have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the liens of the Series 2010 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2010 A Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as the Prior Bonds are Outstanding, no Parity Bonds shall be issued except in accordance with the terms of the Prior Resolutions. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner provided herein and with the prior written consent of the Government.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Prior Bonds and the Series 2010 A Bonds.

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

So long as the Series 2010 A Bonds are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds then Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Series 2010 A Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2010 A Bonds are no longer Outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest

aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

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

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

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Registered Owners of the Series 2010 A Bonds and the Registered Owners of any Parity Bonds issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is

subject to the prior and superior liens of the Outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2010 A Bonds.

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

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

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of the Series 2010 A Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body.

The Issuer shall file with the Government or any Registered Owner of the Series 2010 A Bonds requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and to the extent legally required in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto) and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2010 A Bonds and shall submit said report to the Government. Such audit report submitted to the Government shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and this Resolution and that the Gross Revenues are adequate to meet the Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to issuance of the Series 2010 A Bonds, approvals of equitable rates or charges for the use of and service rendered by the System shall have been obtained in the manner and form required by law, and copies of such

rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reductions in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 2010 A Bonds Reserve Account, and the Reserve Accounts for obligations on a parity with the Series 2010 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services of the System described in Section 7.04.

Section 7.10. Operating Budget. The Issuer shall annually, at least 30 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Government within 30 days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made, except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Government and to any Registered Owner of the Series 2010 A Bonds within 30 days of adoption thereof and shall make available such budgets and all resolutions authorizing increased expenditures

for operation and maintenance of the System at all reasonable times to the Government and any Registered Owner of the Series 2010 A Bonds or anyone acting for and on behalf of such Registered Owner.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain the certificate of the Consulting Engineers, certifying that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Government, the Project will be adequate for the purposes for which it was designed, the funding plan as submitted to the Government is sufficient to pay the costs of the acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained. The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Government, covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. The Issuer shall employ qualified operating personnel properly certified by the State to operate the System so long as the Series 2010 A Bonds are Outstanding.

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

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

Whenever any fees, rates, rentals or other charges for the services or facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the PSC, fees, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations of the PSC, discontinue and shut off the services of the System to all delinquent users of the services of the System, and will not restore such services of the System until all delinquent charges for the services of the System, plus

reasonable interest and penalty charges for the restoration of service, have been fully paid, and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. The Issuer hereby covenants and agrees that, so long as the Series 2010 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured prior to acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground insurable portions of the System, including machinery and equipment housed therein, 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 on all structures and mechanical and electrical equipment in place or stored on the site during construction of the Project in the full insurable value thereof.

(B) Public Liability Insurance, with limits of not less than $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from the operation of the System.

(C) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated for the benefit of the Issuer, with limits of not less than $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from such operation of vehicles.

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bonds will be provided as to every member, officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available; 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.

(G) Construction Bonds. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. The Issuer shall verify such insurance prior to commencement of construction.

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

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

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and other state agencies necessary for the acquisition and construction of the Project and the operation of the System and all approvals for the issuance of the Series 2010 A Bonds required by state law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Registered Owners of the Series 2010 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Series 2010 A Bonds; provided however, that the statutory mortgage lien in favor of the Registered Owners of the Series 2010 A Bonds shall be on a parity with the statutory mortgage lien in favor of the Registered Owners of the First Lien Bonds.

Section 7.19. Compliance with Letter of Conditions and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, this Resolution and the Act. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Government or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.20. Contracts. The Issuer shall, simultaneously with the delivery of the Series 2010 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2010 A Bonds are Outstanding.

Notwithstanding the foregoing, any investments made pursuant to this Resolution shall comply with the guidelines of the Government.

ARTICLE IX
DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2010 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Series 2010 A Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2010 A Bonds set forth in this Resolution, any Supplemental Resolution or the Series 2010 A Bonds and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Government, the Depository Bank, the Bond Registrar, the Paying Agent or the Registered Owner; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2010 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2010 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 2010 A Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Series 2010 A Bonds, or the rights of such Registered Owners; provided however, that all rights and remedies of the Registered Owners of the Series 2010 A Bonds shall be on a parity with those of the Registered Owners of the First Lien Bonds and senior and prior to those of the Registered Owners of the Series 1986 B Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2010 A Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, the completion of the Project,

the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default, with respect to the Bonds, the Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall

be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

ARTICLE X
PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay, or there shall otherwise be paid, to the Registered Owners of the Series 2010 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2010 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through direct payment of the entire outstanding principal of and all accrued interest on the Series 2010 A Bonds to the Registered Owners thereof, the Issuer may not defease the Series 2010 A Bonds or provide for payment thereof by escrow or other similar arrangements.

ARTICLE XI
MISCELLANEOUS

Section 11.01. Modification or Amendment of Resolution. Prior to the issuance of the Series 2010 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2010 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the rights of Registered Owners of the Series 2010 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2010 A Bonds then Outstanding; provided, that no change shall be made in the maturity of the Series 2010 A Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2010 A Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Resolution Constitutes Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2010 A Bonds and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution, any Supplemental Resolution or the Series 2010 A Bonds.

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

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

Section 11.06. Covenant of Due Procedure. 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 Chairperson, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred, and are, duly in office and duly qualified for such office.

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

Adopted this 23rd day of March, 2010.

Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on the 23rd day of March, 2010.

Dated this 25th day of March, 2010.

[SEAL]

Secretary

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of certain extensions, additions and improvement to provide water service to approximately 287 customers in the Gilboa and Enon areas of Nicholas County, and all appurtenances thereto.

GAULEY RIVER PUBLIC SERVICE DISTRICT 2.5(A)
WATER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DESIGNATING A DEPOSITORY BANK AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Gauley River Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution on March 23, 2010 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,150,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance of the Water Revenue Bonds, Series 2010 A (United States Department of Agriculture), of the Issuer, in the aggregate principal amount not to exceed $2,150,000 (the "Bonds" or the "Series 2010 A Bonds"), all in accordance with Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and in the Resolution it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of

the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by the Government pursuant to the Letter of Conditions; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2010 A (United States Department of Agriculture), of the Issuer, in the original aggregate principal amount of $2,150,000. The Series 2010 A Bonds shall be issued in the form of one Bond, shall be dated the date of delivery, shall mature forty years from the date thereof, shall be numbered AR-1, and the principal amount advanced under the Series 2010 A Bonds shall bear interest at the rate of 4.0% per annum. Monthly installments of interest only on the amounts advanced under the Series 2010 A Bonds are payable 30 days following the date of delivery of the Series 2010 A Bonds and on the corresponding day of each month thereafter for the first 24 months after the date of delivery of the Series 2010 A Bonds, and thereafter, monthly installments of principal of and interest on the Series 2010 A Bonds, in the aggregate amount of $9,181.00, are payable on the corresponding day of each month, except that the final installment on the Series 2010 A Bonds shall be paid at the end of 40 years from the date of the Series 2010 A Bonds in the sum of the unpaid principal and interest due on the date thereof. The Series 2010 A Bonds are subject to prepayment as set forth in the Resolution and the Series 2010 A Bonds. All principal and interest payments on the Series 2010 A Bonds will be paid by the Issuer directly to the order of the United States of America at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

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

Section 3. The Issuer hereby approves and accepts the Letter of Conditions and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The price

of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates The City National Bank of West Virginia, Gauley Bridge, West Virginia, to serve as the Depository Bank under the Resolution.

Section 5. The proceeds of the Bonds, as advanced from time to time, shall be deposited in the Series 2010 A Bonds Construction Trust Fund for payment of the costs of the Project and the costs of issuance of the Bonds and related costs.

Section 6. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Government pursuant to the Letter of Conditions on or about March 25, 2010.

Section 7. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 8. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Series 2010 A Bonds Reserve Account shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 9. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 10. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairperson is hereby authorized and directed to execute and deliver all such contracts.

Section 11. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 23rd day of March, 2010.

Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on the 23rd day of March, 2010.

Dated this 25th day of March, 2010.

[SEAL]

Secretary

GAULEY RIVER PUBLIC SERVICE DISTRICT 2.3
WATER REVENUE BONDS, SERIES 2012 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

BOND RESOLUTION

Table of Contents

		Page
	ARTICLE I	
	STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	
Section 1.01.	Definitions	1
Section 1.02.	Authority for this Resolution	8
Section 1.03.	Findings	8
Section 1.04.	Resolution Constitutes Contract	10
	ARTICLE II	
	AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT	
Section 2.01.	Authorization of Acquisition and Construction of Project	11
	ARTICLE III	
	AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS	
Section 3.01.	Authorization of Bonds	12
Section 3.02.	Terms of Bonds	12
Section 3.03.	Execution of Bonds	12
Section 3.04.	Negotiability, Transfer and Registration	13
Section 3.05.	Bonds Mutilated, Destroyed, Stolen or Lost	14
Section 3.06.	Bonds not to be Indebtedness of the Issuer	14
Section 3.07.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	14
Section 3.08.	Form of Bonds	14
	FORM OF SERIES 2012 A BOND	15
Section 3.09.	Sale of Bonds	23

ARTICLE IV

RESERVED

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01.	Establishment of Funds and Accounts with Depository Bank	25
Section 5.02.	Establishment of Funds and Accounts with Commission	25
Section 5.03.	System Revenues; Flow of Funds	25

ARTICLE VI

APPLICATION OF BOND PROCEEDS

Section 6.01.	Application of Bond Proceeds	30
Section 6.02.	Disbursements from Bond Construction Trust Fund	30

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01.	General Covenants of the Issuer	31
Section 7.02.	Bonds not to be Indebtedness of the Issuer	31
Section 7.03.	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	31
Section 7.04.	Initial Schedule of Rates and Charges	31
Section 7.05.	Sale of the System	32
Section 7.06.	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	32
Section 7.07.	Parity Bonds	33
Section 7.08.	Books; Records and Audit	35
Section 7.09.	Rates	36
Section 7.10.	Operating Budget	37
Section 7.11.	Engineering Services and Operating Personnel	38
Section 7.12.	No Competing Franchise	38
Section 7.13.	Enforcement of Collections	38
Section 7.14.	No Free Services	39

Section 7.15.	Insurance and Construction Bonds	39
Section 7.16.	Connections	40
Section 7.17.	Completion and Operation of Project; Permits and Orders	41
Section 7.18.	Statutory Mortgage Lien	41
Section 7.19.	Compliance with Letter of Conditions and Law	41
Section 7.20.	Contracts	41

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01.	Investment of Funds	42

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01.	Events of Default	43
Section 9.02.	Remedies	43
Section 9.03.	Appointment of Receiver	43

ARTICLE X

PAYMENT OF BONDS

Section 10.01.	Payment of Bonds	46

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Modification or Amendment of Resolution	47
Section 11.02.	Resolution Constitutes Contract	47
Section 11.03.	Severability of Invalid Provisions	47
Section 11.04.	Headings, Etc.	47
Section 11.05.	Conflicting Provisions Repealed; Prior Resolutions	47
Section 11.06.	Covenant of Due Procedure	48
Section 11.07.	Effective Date	48

EXHIBIT A - PROJECT DESCRIPTION 50

GAULEY RIVER PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,839,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2012 A (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF GAULEY RIVER PUBLIC SERVICE DISTRICT:

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

"Bond Registrar" means the Issuer, which shall so serve by the Secretary of the Issuer.

"Bonds" means, collectively, the Series 2012 A Bonds, the Prior Bonds and any Parity Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"Chairperson" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Series 2012 A Bonds for all or a portion of the proceeds of the Series 2012 A Bonds.

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

"Consulting Engineers" means Pentree, Incorporated, Princeton, West Virginia, or any engineer or firm of engineers, licensed by the State, which shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System in accordance with Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.03E hereof to be a part of the cost of acquisition and construction of the Project.

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

"Depreciation Account" means the Depreciation Account established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"First Lien Bonds" means, collectively, the Series 1986 A Bonds, the Series 1993 Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 2005 A Bonds, the Series 2007 A Bonds and Series 2010 A Bonds, all as hereinafter defined.

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

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

"Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, which is expected to be the original purchaser of the Series 2012 A Bonds.

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

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

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

"Issuer" means Gauley River Public Service District, a public service district, public corporation and political subdivision of the State in Fayette County, operating the System in Fayette, Nicholas and Clay Counties, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions from the Government dated May 1, 2009, and all amendments thereto.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System as hereinafter defined and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, fees and expenses of fiscal agents, depository banks, registrars, paying agents and trustees, other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any

decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Section 10.01 hereof; and (iv) for purposes of consents, notices or other action by a specified percentage of Registered Owners, any Bonds registered to the Issuer.

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

"Prior Bonds" means, collectively, the Issuer's (i) Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230; (ii) Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350; (iii) Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000; (iv) Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000; (v) Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000; (vi) Water Revenue Bonds, Series 2005 A, dated November 2, 2005, issued in the original principal amount of $1,623,000; (vii) Water Revenue Bonds, Series 2007 A, dated November 13, 2007, issued in the original principal amount of $354,818; and Water Revenue Bonds, Series 2010 A (United States Department of Agriculture), dated March 25, 2010, issued in the original principal amount of $2,150,000.

"Prior Resolutions" means, collectively, the resolutions of the Issuer adopted April 30, 1986, March 17, 1993, June 26, 1997, October 31, 2005, November 13, 2007, and March 23, 2010, authorizing the Prior Bonds.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the System, a description of which is attached hereto as Exhibit A and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereof.

"PSC Order" means, collectively, the final order or orders of the PSC, granting the Issuer a certificate of convenience and necessity to construct the Project and approving the financing for the Project and the rates of the System.

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

(a) Government Obligations;

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

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as

primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the owner 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 Code of West Virginia, 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts of the Series 2012 A Bonds and the Prior Bonds.

"Reserve Requirements" means, collectively, the respective reserve requirements of the Series 2012 A Bonds and the Prior Bonds.

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

"Revenue Fund" means the Revenue Fund established by the Prior Resolutions and continued by Section 5.01 hereof.

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

"Series 1986 A Bonds" means the Issuer's Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $123,230.

"Series 1986 B Bonds" means the Issuer's Supplemental Subordinate Waterworks Revenue Bonds, Series 1986, dated May 9, 1986, issued in the original principal amount of $61,350.

"Series 1993 Bonds" means the Issuer's Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original principal amount of $1,600,000.

"Series 1997 A Bonds" means the Issuer's Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original principal amount of $414,000.

"Series 1997 B Bonds" means the Issuer's Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original principal amount of $57,000.

"Series 2005 A Bonds" means the Issuer's Water Revenue Bonds, Series 2005 A, dated November 2, 2005, issued in the original principal amount of $1,623,000.

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated November 13, 2007, issued in the original principal amount of $354,818.

"Series 2010 A Bonds" means the Water Revenue Bonds, Series 2010 A United States Department of Agriculture), dated March 25, 2010, issued in the original principal amount of $2,150,000.

"Series 2012 A Bonds" means the Water Revenue Bonds, Series 2012 A (United States Department of Agriculture), of the Issuer, authorized to be issued hereby.

"Series 2012 A Bonds Construction Trust Fund" means the Series 2012 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2012 A Bonds Reserve Account" means the Series 2012 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2012 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2012 A Bonds in the then current or any succeeding year.

"Series 2012 A Bonds Sinking Fund" means the Series 2012 A Bonds Sinking Fund established by Section 5.03A(2) hereof.

"Sinking Funds" means, collectively, the respective sinking funds of the Series 2012 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2012 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2012 A Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Series 2012 A Bonds and the Prior Bonds, including the Sinking Funds, the Reserve Accounts, the Renewal and Replacement Fund and the Depreciation Account.

"System" means the complete public service properties of the Issuer for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired 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.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairperson or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairperson or Acting Secretary.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public service district, public corporation and political subdivision of the State in Fayette County of said State. The Issuer presently owns and operates a public water system in Fayette, Nicholas and Clay Counties. However, the Issuer deems it necessary and desirable for the health, welfare and safety of the inhabitants of the Issuer that there be acquired and constructed the Project, in accordance with the plans and specifications prepared by the Consulting Engineer, which plans and specifications have been approved by the Government and the Issuer.

B. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Government.

C. The estimated maximum cost of acquisition and construction of the Project is $3,235,000, of which $1,839,000 will be obtained from the Series 2012 A Bonds and $1,396,000 will be obtained from a grant from the Government.

D. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all Operating Expenses of the System, the principal of and interest on the Prior Bonds and the Series 2012 A Bonds and to make payments into all funds and accounts provided for in this Resolution and the Prior Resolutions.

E. It is deemed necessary for the Issuer to issue the Series 2012 A Bonds in the aggregate principal amount of not more than $1,839,000, to permanently finance a portion of the costs of acquisition and construction of the Project. Such costs shall be deemed to include the cost of acquisition or construction of any public service properties and any improvements and extensions thereto, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Series 2012 A Bonds prior to and during acquisition or construction and for six months after completion of acquisition or construction of the Project; engineering 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 enterprise, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized, the acquisition or construction of

the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

F. The Series 2012 A Bonds shall be issued on a parity with the First Lien Bonds and senior and prior to the Series 1986 B Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2012 A Bonds, the Issuer will obtain (1) the certificate of an Independent Certified Public Accountant stating that the parity and coverage tests of the First Lien Bonds have been met; (2) the written consent of the Registered Owners of the First Lien Bonds to the issuance of the Series 2012 A Bonds on a parity with the First Lien Bonds; and (3) the written consent of the Registered Owners of the Series 1986 B Bonds to the issuance of the Series 2012 A Bonds on a senior and prior basis to the Series 1986 B Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

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

I. It is in the best interests of the Issuer that the Series 2012 A Bonds be sold to the Government pursuant to the terms and provisions of the Letter of Conditions.

J. The Issuer has complied with all requirements of West Virginia law and the Letter of Conditions relating to authorization of the acquisition, construction and operation of the Project and issuance of the Series 2012 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of the PSC Order, the time for rehearing and appeal of which has expired or will have been waived prior to the issuance of the Series 2012 A Bonds.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2012 A Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $3,235,000, in accordance with the plans and specifications prepared by the Consulting Engineers, approved by the Government and the Issuer and heretofore filed in the office of the Governing Body. The proceeds of the Series 2012 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the financing plan submitted to the Government.

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purposes of paying a portion of the costs of the Project and paying the costs of issuance of the Series 2012 A Bonds and related costs, there shall be and hereby are authorized to be issued negotiable Series 2012 A Bonds of the Issuer. The Series 2012 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2012 A (United States Department of Agriculture)," in the aggregate principal amount of not more than $1,839,000, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution.

Section 3.02. Terms of Bonds. The Series 2012 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the legal maximum rate, payable monthly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2012 A Bonds.

The Series 2012 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, shall be payable as provided in the Bond form hereinafter set forth, and shall have such other terms not inconsistent with this Resolution, as shall be set forth in the Supplemental Resolution and such Bond form.

Section 3.03. Execution of Bonds. The Series 2012 A Bonds shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairperson, and the seal of the Issuer shall be impressed thereon and attested by the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Transfer and Registration. The Series 2012 A Bonds shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, but the Bonds, and the right to principal of and stated interest on the Bonds, may only be transferred by transfer of the registration thereof upon the books of the Bond Registrar, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2012 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No registration of transfer of the Series 2012 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Bonds.

The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, books for the registration and transfer of the Series 2012 A Bonds and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2012 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2012 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2012 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, 1520 Market Street, 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. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2012 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner's furnishing the Issuer proof of ownership and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be canceled and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.06. Bonds not to be Indebtedness of the Issuer. The Series 2012 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System, as herein provided. No Registered Owner of the Series 2012 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2012 A Bonds or the interest thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2012 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2012 A Bonds and the Prior Bonds and to make the payments into all funds and accounts provided for in this Resolution and the Prior Resolutions, are hereby irrevocably pledged to such payments as they become due.

Section 3.08. Form of Bonds. The text of the Series 2012 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2012 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2012 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 $_____

FOR VALUE RECEIVED, on this ___day of _____, 2012, GAULEY RIVER PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Fayette, Nicholas and Clay Counties of said State (the "Issuer"), promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, and in the manner provided below, the principal sum of _____DOLLARS ($_____), or such lesser amount as is set forth on the Record of Advances attached hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of 3% per annum.

The principal of and interest on this Bond shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing 30 days following the date of delivery of this Bond and continuing on the corresponding day of each month thereafter for the first 24 months after the date hereof, and thereafter, on the corresponding day of each month in installments of principal and interest in the aggregate amount of $6,768, 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 below. This consideration 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 the Issuer as requested by the Issuer 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 the Issuer. Extra payments, as defined in the regulations of the Government, shall, after payment of interest, be applied to the installment last to come due under this Bond and shall not affect the obligation of the Issuer to pay the remaining installments as scheduled herein.

Any amount advanced or expended by the Government for the collection hereof, or to preserve or to protect any security 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 the Issuer to the Government without demand. The Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Issuer has granted to the Government a lien on the proceeds of this Bond until such proceeds are expended for authorized purposes.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of this Bond and related costs. The existing public water facilities of the Issuer, the Project and any further improvements and extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 20__, and a Supplemental Resolution duly adopted by the Issuer on _____, 20__(collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S (1) WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $123,230; (2) WATER REVENUE BONDS, SERIES 1993, DATED MARCH 17, 1993, ISSUED IN THE

ORIGINAL PRINCIPAL AMOUNT OF $1,600,000; (3) WATER REVENUE BONDS, SERIES 1997 A, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $414,000; (4) WATER REVENUE BONDS, SERIES 1997 B, DATED JUNE 26, 1997, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $57,000; (5) WATER REVENUE BONDS, SERIES 2005 A, DATED NOVEMBER 2, 2005, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,623,000; (6) WATER REVENUE BONDS, SERIES 2007 A, DATED NOVEMBER 13, 2007, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $354,818; AND (7) WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MARCH 25, 2010, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $2,150,000 (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SUPPLEMENTAL SUBORDINATE WATERWORKS REVENUE BONDS, SERIES 1986, DATED MAY 9, 1986, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $61,350 (THE "SERIES 1986 B BONDS"). THE FIRST LIEN BONDS AND THE SERIES 1986 B BONDS ARE COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the System, on a parity with the pledge of Net Revenues in favor of the registered owners of the First Lien Bonds, and from moneys in the reserve account created under the Resolution for this Bond (the "Series 2012 A Bonds Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2012 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on this Bond and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2012 A Bonds Reserve Account, an amount equal

to the maximum amount of principal and interest which will become due on this Bond in any year, and in the respective reserve accounts for any other obligations outstanding on a parity with this Bond, including the Prior Bonds, an amount equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the Registered Owner of this Bond for the terms of which reference is made to the Resolution. Remedies provided the Registered Owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

Subject to the registration requirements in the Resolution, this Bond is transferable, as provided in the Resolution, only upon the books of the Secretary of the Issuer, as registrar (the "Registrar"), which shall be kept for that purpose at the office of the Registrar, by the Registered Owner or by its attorney or legal representative duly authorized in writing, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the Registered Owner or its attorney or legal representative duly authorized in writing.

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

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

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

If at any time it so appears to the Government that the Issuer may be able to obtain a loan from a responsible cooperative or private creditor at reasonable rates and terms for loans for such purposes and period of time, the Issuer will at the Government's request apply for and accept such loan in sufficient amount to repay the Government.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any

proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

This Bond is given as evidence of a loan to the Issuer made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

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

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

IN WITNESS WHEREOF, GAULEY RIVER PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

_____

Chairperson

[SEAL]

ATTEST:

_____

Secretary

(Form of)

RECORD OF ADVANCES

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

TOTAL

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, __.

_____

In the presence of:

_____

Section 3.09. Sale of Bonds. The Series 2012 A Bonds shall be sold to the Government pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions is hereby approved and the provisions of the Letter of Conditions are specifically incorporated in this Resolution.

ARTICLE IV

[RESERVED]

ARTICLE V
SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions);

(3) Depreciation Account (established by the Prior Resolutions); and

(4) Series 2012 A Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special account is created with and shall be held by the Commission:

(1) Series 2012 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. Funds in the Revenue Fund shall be disposed of only in the following manner and order of priorities and as provided in the Prior Resolutions.

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

(2) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the interest payments on the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 30 days following the date of delivery of the Series 2012 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2012 A Bonds Sinking Fund hereby established at the National Finance Office, the amount of interest set forth in the Series 2012 A Bonds.

(3) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the principal payments of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2012 A Bonds and continuing on the corresponding day of each month, remit to the National Finance Office for deposit in the Series 2012 A Bonds Sinking Fund, the amount of principal set forth in the Series 2012 A Bonds.

The deposits into the Series 2012 A Bonds Sinking Fund provided in this paragraph and in Section 5.03A (2) above, constitute actual payments of principal of and interest on the Series 2012 A Bonds to the Government.

(4) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the reserve account payments into the Reserve Accounts of the First Lien Bonds in the amounts and on the dates required by the Prior Resolutions; and (ii) commencing on the day which is 24 months following the date of delivery of the Series 2012 A Bonds and continuing on the corresponding day of each month, remit to the Commission for deposit in the Series 2012 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2012 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2012 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2012 A Bonds Reserve Requirement.

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

(6) The Issuer shall next, each month, from the moneys in the Revenue Fund, make the payments into the Depreciation Account in the amounts and on the dates required by the Prior Resolutions.

(7) The Issuer shall next, on the first day of each month, from the moneys in the Revenue Fund, remit to the Commission for deposit (i) in the Series 1986 B Bonds Sinking Fund, the amount required by the Prior Resolutions to pay principal of the Series 1986 B Bonds, and (ii) in the Series 1986 B Bonds Reserve Account, the amount required by the Prior Resolutions.

Moneys in the Series 2012 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2012 A Bonds as the same shall become due. Moneys in the Series 2012 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest on the Series 2012 A Bonds as the same shall come due, when other moneys in the Series 2012 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2012 A Bonds Reserve Account (if fully funded) shall be transferred, not less than once each year, to the Series 2012 A Bonds Construction Trust Fund during construction of the Project and thereafter, to the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2005A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2012 A Bonds Reserve Account which result in a reduction in the balance therein to an amount below the Series 2012 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2012 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay any interest on such Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

Interest, principal, or reserve account payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2012 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2012 A Bonds Reserve Account created hereunder, and all amounts required for such account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Government, the Issuer shall make the necessary arrangements whereby required payments into the Series 2012 A Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates hereunder.

Moneys in the Series 2012 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2012 A Bonds Sinking Fund and the Series 2012 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2012 A Bonds under the conditions and restrictions set forth herein.

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

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

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

E. If, on any monthly payment date, the revenues are insufficient to place the required amount in any of the funds and accounts as herein above provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Section 5.03A hereof, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority.

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

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

ARTICLE VI
APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds. All moneys received from time to time from the sale of the Series 2012 A Bonds shall be deposited in the Series 2012 A Bonds Construction Trust Fund and shall be used solely to pay costs of the Project and until so expended, are hereby pledged as additional security for the Series 2012 A Bonds.

Section 6.02. Disbursements from Bond Construction Trust Fund. The Series 2012 A Bonds Construction Trust Fund shall be kept separate and apart from all other funds of the Issuer, and shall be drawn out, used and applied by the Issuer solely for the payment of the costs of the Project and purposes incidental thereto, including payment of any borrowings by the Issuer made for the purpose of temporarily financing a portion of the costs of the Project and payment of interest on the Series 2012 A Bonds prior to and during construction and for a period up to six months after completion of construction and for no other purposes whatsoever. If approved by the Government, the moneys in said fund shall be secured at all times by Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. If for any reason the amounts on deposit in the Series 2012 A Bonds Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Issuer as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Registered Owners of the Series 2012 A Bonds.

Expenditures or disbursements from the Series 2012 A Bonds Construction Trust Fund shall be made only after such expenditures or disbursements have been approved in writing by the Governing Body, the Consulting Engineers and the Government.

The Issuer shall coordinate with the Government on the monthly payment of the costs of the Project and shall submit invoices and requisitions as directed by the Government.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Registered Owner of the Series 2012 A Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Registered Owner of the Series 2012 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Series 2012 A Bonds or the interest thereon are Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2012 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Registered Owner of the Series 2012 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Series 2012 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2012 A Bonds shall be secured by a first lien on the Net Revenues on a parity with the lien on the Net Revenues in favor of the Registered Owners of the First Lien Bonds and senior and prior to the lien on the Net Revenues in favor of the Registered Owners of the Series 1986 B Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2012 A Bonds and to make the payments into all funds and accounts and all other payments provided for in this Resolution and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein and therein, to such payments as the same become due, and for the other purposes provided in this Resolution and the Prior Resolutions.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by state law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of this Resolution and the Prior Resolutions. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved in the PSC Order and such rates are hereby adopted.

So long as the Series 2012 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2012 A Bonds shall prove to be insufficient to produce the required sums set forth in this Resolution, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Resolution.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. So long as the Series 2012 A Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of, or encumbered (other than any statutory mortgage lien created under the Act on account of obligations issued within the restrictions hereof) only with the written consent of the Government and such consent will specify the disposition of any such sale or transfer.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as the Series 2012 A Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2012 A Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.07 hereof and in the Prior Resolutions (so long as the Prior Bonds are Outstanding). All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2012 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein and in the Prior Resolutions have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the liens of the Series 2012 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2012 A Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as the Prior Bonds are Outstanding, no Parity Bonds shall be issued except in accordance with the terms of the Prior Resolutions. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner provided herein and with the prior written consent of the Government.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Prior Bonds and the Series 2012 A Bonds.

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

So long as the Series 2012 A Bonds are Outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds then Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Registered Owners of the Series 2012 A Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2012 A Bonds are no longer Outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest

aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

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

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

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Registered Owners of the Series 2012 A Bonds and the Registered Owners of any Parity Bonds issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is

subject to the prior and superior liens of the Outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2012 A Bonds.

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

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

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

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Registered Owner of the Series 2012 A Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body.

The Issuer shall file with the Government or any Registered Owner of the Series 2012 A Bonds requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and to the extent legally required in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto) and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2012 A Bonds and shall submit said report to the Government. Such audit report submitted to the Government shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and this Resolution and that the Gross Revenues are adequate to meet the Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to issuance of the Series 2012 A Bonds, approvals of equitable rates or charges for the use of and service rendered by the System shall have been obtained in the manner and form required by law, and copies of such

rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reductions in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2012 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2012 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 2012 A Bonds Reserve Account, and the Reserve Accounts for obligations on a parity with the Series 2012 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2012 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2012 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services of the System described in Section 7.04.

Section 7.10. Operating Budget. The Issuer shall annually, at least 30 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Government within 30 days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made, except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Government and to any Registered Owner of the Series 2012 A Bonds within 30 days of adoption thereof and shall make available such budgets and all resolutions authorizing increased expenditures

for operation and maintenance of the System at all reasonable times to the Government and any Registered Owner of the Series 2012 A Bonds or anyone acting for and on behalf of such Registered Owner.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain the certificate of the Consulting Engineers, certifying that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Government, the Project will be adequate for the purposes for which it was designed, the funding plan as submitted to the Government is sufficient to pay the costs of the acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained. The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Government, covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. The Issuer shall employ qualified operating personnel properly certified by the State to operate the System so long as the Series 2012 A Bonds are Outstanding.

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

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

Whenever any fees, rates, rentals or other charges for the services or facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the PSC, fees, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations of the PSC, discontinue and shut off the services of the System to all delinquent users of the services of the System, and will not restore such services of the System until all delinquent charges for the services of the System, plus

reasonable interest and penalty charges for the restoration of service, have been fully paid, and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. The Issuer hereby covenants and agrees that, so long as the Series 2012 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured prior to acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground insurable portions of the System, including machinery and equipment housed therein, 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 on all structures and mechanical and electrical equipment in place or stored on the site during construction of the Project in the full insurable value thereof.

(B) Public Liability Insurance, with limits of not less than $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from the operation of the System.

(C) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated for the benefit of the Issuer, with limits of not less than $1,000,000 for personal liability to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 from claims for damage to property of others which may arise from such operation of vehicles.

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with Chapter 38, Article 2, Section 39 of the Code of West Virginia, 1931, as amended.

(E) Fidelity Bonds will be provided as to every member, officer and employee of the Issuer having custody of the Revenue Fund or of any other funds or property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Flood Insurance will be obtained by the Issuer if available; 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.

(G) Construction Bonds. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. The Issuer shall verify such insurance prior to commencement of construction.

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

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

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the PSC and other state agencies necessary for the acquisition and construction of the Project and the operation of the System and all approvals for the issuance of the Series 2012 A Bonds required by state law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Registered Owners of the Series 2012 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, and shall take effect immediately upon delivery of the Series 2012 A Bonds; provided however, that the statutory mortgage lien in favor of the Registered Owners of the Series 2012 A Bonds shall be on a parity with the statutory mortgage lien in favor of the Registered Owners of the First Lien Bonds.

Section 7.19. Compliance with Letter of Conditions and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, this Resolution and the Act. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Government or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.20. Contracts. The Issuer shall, simultaneously with the delivery of the Series 2012 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2012 A Bonds are Outstanding.

Notwithstanding the foregoing, any investments made pursuant to this Resolution shall comply with the guidelines of the Government.

ARTICLE IX
DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2012 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Series 2012 A Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2012 A Bonds set forth in this Resolution, any Supplemental Resolution or the Series 2012 A Bonds and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Government, the Depository Bank, the Bond Registrar, the Paying Agent or the Registered Owner; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of the Series 2012 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2012 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 2012 A Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the resolution with respect to the Series 2012 A Bonds, or the rights of such Registered Owners; provided however, that all rights and remedies of the Registered Owners of the Series 2012 A Bonds shall be on a parity with those of the Registered Owners of the First Lien Bonds and senior and prior to those of the Registered Owners of the Series 1986 B Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2012 A Bonds may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, the completion of the Project,

the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default, with respect to the Bonds, the Registered Owner shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and any interest thereon and the deposits into the funds and accounts herein provided and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall

be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and Registered Owners, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage, or otherwise dispose of any assets of the System.

ARTICLE X
PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay, or there shall otherwise be paid, to the Registered Owners of the Series 2012 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2012 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through direct payment of the entire outstanding principal of and all accrued interest on the Series 2012 A Bonds to the Registered Owners thereof, the Issuer may not defease the Series 2012 A Bonds or provide for payment thereof by escrow or other similar arrangements.

ARTICLE XI
MISCELLANEOUS

Section 11.01. Modification or Amendment of Resolution. Prior to the issuance of the Series 2012 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2012 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto that would materially and adversely affect the rights of Registered Owners of the Series 2012 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2012 A Bonds then Outstanding; provided, that no change shall be made in the maturity of the Series 2012 A Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 2012 A Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Resolution Constitutes Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2012 A Bonds and no change, variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution, any Supplemental Resolution or the Series 2012 A Bonds.

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

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

Section 11.06. Covenant of Due Procedure. 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 Chairperson, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred, and are, duly in office and duly qualified for such office.

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

Adopted this 5th day of March, 2012.

Chairperson and Member

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of GAULEY RIVER PUBLIC SERVICE DISTRICT on the 5th day of March, 2012.

Dated this 7th day of March, 2012.

[SEAL]

Secretary

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of the construction of more than 50,000 linear feet of new water main and the installation of 176 water meters, 25 fire hydrant assemblies and 14 new sampling stations to serve the Iela area along Route 39 and connect to the water infrastructure owned and operated by the Town of Summersville, and all appurtenances thereto.

WEST VIRGINIA
Water Development Authority
Celebrating 40 Years of Service 1974 - 2014

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

CONSENT TO ISSUANCE OF PARITY BONDS

In reliance upon a certificate of Adkins & Young, CPA, independent certified public accountants and the opinion of Jackson Kelly PLLC, bond counsel, stating that the coverage and parity requirements have been met (copy attached), the undersigned duly authorized representative of the West Virginia Water Development Authority, the registered owner of the Series 1986 A Bonds, the Series 1986 B Bonds and the Series 2007 A Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), in the original principal amount of $1,240,000 (the "Series 2014 A Bonds"), by Gauley River Public Service District (the "Issuer"), under the terms of the resolutions authorizing the Series 2014 A Bonds, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Waterworks Revenue Bonds, Series 1986 (the "Series 1986 A Bonds") and Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Series 2007 A Bonds") and senior and prior with respect to liens, pledge and source of and security for payment to the Issuer's Supplemental Subordinate Waterworks Revenue Bonds, Series 1986 (the "Series 1986 B Bonds").

WITNESS my signature on this 10th day of October, 2014.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

Sheila A. Miller
Authorized Representative

1009 Bullitt Street, Charleston, WV 25301
Phone (304) 414-6500 / fax (304)414-0865
www.wvwda.org

USDA
United States Department of Agriculture

Rural Development

West Virginia
State Office

1550 Earl Core Road,
Suite 101
Morgantown, WV
26505

Voice 304.284.4860
1.800.295.8228
Fax 855.859.1835

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

CONSENT TO ISSUANCE OF PARITY BONDS

The undersigned duly authorized representative of the United States of America, acting through the United States Department of Agriculture, Rural Development, Rural Utilities Service, the registered owner of the Prior Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), in the original principal amount of $1,240,000 (the "Series 2014 A Bonds"), by Gauley River Public Service District (the "Issuer"), under the terms of the resolutions authorizing the Series 2014 A Bonds (collectively, the "Resolution"), on a parity with respect to liens, pledge and source of and security for payment with the Issuer's Water Revenue Bonds, Series 1993, dated March 17, 1993, issued in the original aggregate principal amount of $1,600,000; Water Revenue Bonds, Series 1997 A, dated June 26, 1997, issued in the original aggregate principal amount of $414,000; Water Revenue Bonds, Series 1997 B, dated June 26, 1997, issued in the original aggregate principal amount of $57,000; Water Revenue Bonds, Series 2005 A, dated November 2, 2005, issued in the original aggregate principal amount of $1,623,000; Water Revenue Bonds, Series 2010 A, dated March 25, 2010, issued in the original aggregated principal amount of $2,150,000; and Water Revenue Bonds, Series 2012 A, dated March 7, 2012, issued in the original aggregate principal amount of $1,839,000 (collectively, the "Prior Bonds"); (ii) waives any requirements imposed by the Prior Bonds or the resolutions authorizing the Prior Bonds (collectively, the "Prior Resolutions"), regarding the issuance of parity bonds which are not met by the Series 2014 A Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolutions by the Resolution.

WITNESS my signature on this 7th day of October, 2014.

UNITED STATES OF AMERICA,
UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL DEVELOPMENT

Acting State Director

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

3.1

GENERAL CERTIFICATE ON:

1. TERMS AND AWARD OF BONDS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES AND DELIVERY
6. PUBLIC SERVICE COMMISSION ORDER
7. RATES
8. INCUMBENCY AND OFFICIAL NAME
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS
11. INSURANCE
12. SPECIMEN BOND
13. BOND PROCEEDS
14. USERS
15. GRANTS
16. CONFLICT OF INTEREST
17. PROCUREMENT OF ENGINEERING SERVICES
18. WETLANDS COVENANT
19. COUNTERPARTS

On this 10th day of October, 2014, we, the undersigned CHAIRPERSON and the undersigned SECRETARY of the Public Service Board of Gauley River Public Service District (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the Gauley River Public Service District Water Revenue Bonds, Series 2014 A (United States Department of Agriculture) (the "Bonds" or the "Series 2014 A Bonds"), dated the date hereof, as follows:

1. TERMS AND AWARD OF BONDS: The entire issue of the Bonds has been duly awarded to the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), pursuant to a Letter of Conditions dated August 4, 2010, and Amendment No. 1 to Letter of Conditions dated March 13, 2012, and any amendments thereto (collectively, the "Letter of Conditions"), a Bond Resolution duly adopted by the Issuer on October 8, 2014, and a Supplemental Resolution duly adopted by the Issuer on October 8, 2014 (collectively, the "Resolution"). All capitalized words and terms used in this Certificate and not otherwise defined herein shall have the same meaning as set forth in the Resolution.

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 authorization, issuance, sale and delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds; nor affecting the validity of the Bonds or any provisions made or authorized for the payment thereof; nor questioning the existence of the Issuer or the title of the members or officers of the Issuer or the Board thereof to their respective offices; nor questioning any proceedings of the Issuer taken with respect to the authorization, issuance, sale or delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals, licenses, orders, permits, exemptions, consents, authorizations, registrations and certificates required by law for the creation and existence of the Issuer, the acquisition and construction of the Project, the operation of the System and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for construction of the Project have been solicited by the Issuer in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia, 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 acceptance and approval of the Letter of Conditions by the Issuer. The Issuer has met all conditions set forth in the Letter of Conditions and will provide the financial, institutional, legal and managerial capabilities necessary to complete and operate the Project.

The Bonds shall be issued on a parity with the First Lien Bonds and senior and prior to the Series 1986 B Bonds, with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has obtained (1) the certificate of an Independent Certified Public Accountant stating that the parity and coverage tests of the First Lien Bonds have been met; (2) the written consent of the Registered Owners of the First Lien Bonds to the issuance of the Bonds on a parity with the First Lien Bonds; and (3) the written consent of the Registered Owners of the Series 1986 B Bonds to the issuance of the Bonds on a senior and prior basis to the Series 1986 B Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

5. SIGNATURES AND DELIVERY: The undersigned Chairperson and Secretary are the duly elected or appointed, qualified and acting officers of the Issuer as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer. The seal impressed upon the Bonds and this Certificate is the duly authorized, proper and only seal of the Issuer. On the date hereof, the undersigned Chairperson did officially sign all of the Bonds, consisting upon original issuance of a single Bond, dated the date hereof, by his or her manual signature; the undersigned Secretary did officially cause the seal of the Issuer to be affixed upon the Bonds and to be attested by his or her manual signature; and the Chairperson did deliver the Bonds to a representative of the Government as the original purchaser of the Bonds.

6. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the Recommended Decision of the Administrative Law Judge on December 9, 2013, as made final by the PSC on December 29, 2013, in Case No. 13-1119-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the rates for the System and the financing for the Project. The time for appeal of the Order has expired prior to the date hereof without any appeal having been filed. The Order remains in full force and effect.

7. RATES: The rates of the System, as approved in the Recommended Decision of the Administrative Law Judge on December 9, 2013, as made final by the PSC on December 29, 2013, in Case No. 13-1119-PWD-CN, will become effective when the Project is placed into service.

8. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Gauley River Public Service District." The Issuer is a public service district and a public corporation duly created by The County Commission of Fayette County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The Issuer operates the System in Fayette, Nicholas and Clay Counties of said State. The governing body of the Issuer is its Board, consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of their current terms are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Russell G. Deering	January 1, 2012	December 31, 2017
Teddie R. Elliott	January 1, 2011	December 31, 2015
Sue Gray	January 1, 2014	December 31, 2020

The duly elected or appointed officers of the Board for 2014 are as follows:

Russell G. Deering	-	Chairperson
Teddie R. Elliott	-	Secretary
Sue Gray	-	Treasurer

The duly appointed and acting attorney for the Issuer is Jackson Kelly PLLC, of Charleston, West Virginia.

9. LAND AND RIGHTS-OF-WAY: All land, rights-of-way and easements necessary for the acquisition and construction of the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase or, if necessary, by condemnation by the Issuer, and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions that would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties that 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: All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds, the acquisition, construction, and financing of the Project or the operation of the System were authorized or adopted at meetings of the Board duly and regularly or specifically called and held pursuant to all applicable statutes, including Chapter 6, Article 9A of the Code of West Virginia, 1931, as amended, and the rules of procedure of the Board, and a quorum of duly appointed qualified and acting members of the Board 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. INSURANCE: The Issuer will maintain or, as appropriate, will require all contractors to maintain workers' compensation, public liability and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Resolution and the Letter of Conditions. All insurance for the System required by the Resolution and the Letter of Conditions are in full force and effect.

12. SPECIMEN BOND: Attached hereto as Exhibit A is a specimen of the Bond which, except as to execution, is identical in all respects with the Bond this day delivered to the Government and being substantially in the form prescribed in the Resolution.

13. BOND PROCEEDS: On the date hereof, the Issuer received from the Government the sum of $210,853.73, being a portion of the principal amount of the Series 2014 A Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer from time to time as acquisition and construction of the Project progresses.

14. USERS: The Issuer will serve at least 1,453 bona fide users upon the completion of the Project, in full compliance with the Letter of Conditions.

15. GRANTS: As of the date hereof, the grant from the Government in the amount of $460,630 and the subsequent grant from the Government in an amount of $486,370 is committed for the Project and in full force and effect.

16. CONFLICT OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer for the sale of any land, materials, supplies or services to the Issuer, or to any contractor supplying the Issuer, relating to the Bonds, the Resolution and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

17. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied with all the requirements of Chapter 5G, Article 1 of the Code of West Virginia, 1931, as amended, in the procurement of the engineering services of the Consulting Engineer.

18. WETLANDS COVENANT: The Issuer hereby certifies that it will not use any proceeds of the Bonds for a purpose that will contribute to excessive erosion of highly erodible lands or to the conversion of wetlands to produce an agricultural commodity.

19. COUNTERPARTS: This Certificate may be executed in counterparts and all counterparts shall be deemed to be the Certificate.

WITNESS our signatures and the official corporate seal of GAULEY RIVER PUBLIC SERVICE DISTRICT as of the date first written above.

[SEAL]

Signature	Official Title
	Chairperson
	Secretary
	Attorney

EXHIBIT A

Specimen Bond (see Tab No. 14)

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

CERTIFICATE OF SECRETARY
AS TO TRUTH AND ACCURACY OF DOCUMENTS DELIVERED

On this 10th day of October, 2014, the undersigned duly appointed Secretary of Gauley River Public Service District (the "Issuer") hereby certifies that the copies of the following documents being delivered in connection with the closing of the sale of the Gauley River Public Service District Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the Issuer and delivered in the transcript of proceedings, that said documents have been duly adopted or approved by the Public Service Board (the "Board") of the Issuer and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Orders of The County Commission of Fayette County Creating and Enlarging the Issuer.

2. Orders of The County Commission of Fayette County Appointing the Members of the Board.

3. Oaths of Office of the Board Members.

4. Rules of Procedure.

5. Minutes of Current Year Organizational Meeting.

6. Public Service Commission Order.

7. USDA Letter of Conditions, Closing Letter and Loan Resolution.

8. Minutes of Board Meeting regarding Adoption of USDA Loan Resolution.

9. Bond Resolution.

10. Supplemental Resolution.

11. Minutes of Board Meeting regarding Adoption of Bond Resolution and Supplemental Resolution.

12. Affidavits of Publication regarding Notice of Filing and Notice of Meeting to Adopt Bond Resolution and Supplemental Resolution.

13. 1986 Bond Resolution.

14. 1993 Bond Resolution.

15. 1997 Bond Resolution.

16. 2005 A Bond Resolution.

17. 2007 A Bond Resolution.

18. 2010 A Bond Resolution.

19. 2012 A Bond Resolution.

20. WDA Consent to Issuance of Bonds.

21. USDA Consent to Issuance of Bonds.

22. Environmental Health Services Permit.

23. USDA Grant Agreement.

24. Insurance Certificates.

25. Water Purchase Contract with Town of Summersville.

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

GAULEY RIVER PUBLIC SERVICE DISTRICT

[SEAL]

Secretary

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

3.3

CERTIFICATE OF CONSULTING ENGINEER

On this 10th day of October, 2014, I, Jonathan Carpenter, Registered Professional Engineer, West Virginia License No. 15425, of The Thrasher Group, Inc., Charleston, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing public water facilities (the "System") of Gauley River Public Service District (the "Issuer"), to be constructed primarily in Nicholas County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. All capitalized words used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on October 8, 2014 (the "Resolution"), and the Letter of Conditions dated August 4, 2010, and the Amendment No. 1 to Letter of Conditions dated March 13, 2012, and all amendments thereto (collectively, the "Letter of Conditions"), from the United States of America, United States Department of Agriculture, Rural Utilities Service ("the Government").

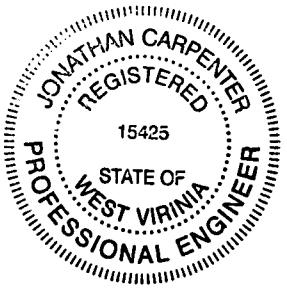
2. The Bonds are being issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project; and (ii) paying costs of issuance and related costs.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the West Virginia Bureau for Public Health (the "BPH), and any change orders approved by the Issuer, the Government and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 40 years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Letter of Conditions and all successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders have provided the Drug-Free Workplace Affidavit as evidence of the Vendor's compliance with the provisions of Article 1D, Chapter 21 of the West Virginia Code; (v) the successful bidders received any and all addenda to the original bid documents; (vi) the bid documents relating to the Project reflect the Project as approved by the Government and the bid forms provided to the bidders contain all critical operational components of the Project; (vii) the successful bids include prices for every item on such bid forms; (viii) the uniform bid procedures were followed; (ix) the Issuer has obtained all permits required by the laws of the State of West

Virginia and the United States necessary for the acquisition and construction of the Project and the operation of the System; (x) in reliance upon the certificate of Adkins & Young, CPAs, dated the date hereof, as of the effective date thereof, the rates and charges for the System as approved by the Public Service Commission of West Virginia and adopted by the Issuer will be sufficient to comply with the provisions of the Resolution; and (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the Government.

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

[SEAL]



THE THRASHER GROUP

Jonathan Carpenter, P.E.
West Virginia License No. 15425

ADKINS & YOUNG P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1006 • SUMMERSVILLE, WV 26651 • 304-872-1434 • FAX 304-872-1530

October 10, 2014

GAULEY RIVER PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2014 A

(UNITED STATES DEPARTMENT OF AGRICULTURE)

Gauley River Public Service District

Swiss, West Virginia

West Virginia Water Development Authority

Charleston, West Virginia

West Virginia Water Development of Agriculture,

Rural Utilities Services

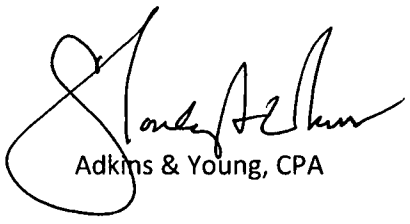
Beckley, West Virginia

Ladies and Gentlemen:

We have reviewed the water rates of Gauley River Public Service District (the "Issuer"), as approved in the Recommended Decision of the Administrative Law Judge on December 9, 2013, as made final by the Public Service Commission of West Virginia on December 29, 2013, in Case No. 13-1119-PWD-CN, the projected operating expenses and the anticipated customer usage provided by The Thrasher Group, Inc., the consulting engineer of the Issuer. It is our opinion that such rates are sufficient (i) to provide for all operating expenses of the water facilities of the Issuer (the "System") and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Issuer's Waterworks Revenue Bonds, Series 1986; Supplemental Subordinate Waterworks Revenue Bonds, Series 1986; Water Revenue Bonds, Series 1993; Water Revenue Bonds, Series 1997 A; Water Revenue Bonds, Series 1997 B; Water Revenue Bonds, Series 2005 A (United States Department of Agriculture); Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund); Water Revenue Bonds, Series 2010 A (United States Department of Agriculture) Water Revenue Bonds, Series 2012 A (United State Department of Agriculture) (collectively, the "Prior Bonds") and Water Revenue Bonds, Series 2014 A (United States Department of Agriculture) (the "Series 2014 A Bonds").

It is further our opinion that (i) the Net Revenues for the fiscal year following the year in which the Series 2014 A Bonds are to be issued will be at least 120% of the average annual debt service requirements on the Prior Bonds and the Series 2014 A Bonds; and (ii) the Net Revenues actually derived from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of the Series 2014 A Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2014 A Bonds, will not be less than 115% of the maximum debt service in any succeeding year on the Prior Bonds and the Series 2014 A Bonds.

Very truly yours,



Adkins & Young, CPA

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

3.5

CERTIFICATE OF NO LITIGATION

On this 10th day of October, 2014, the undersigned hereby certifies that as of the date hereof, no controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the authorization, issuance, sale or delivery of the above-captioned Bonds (the "Bonds"), the acquisition and construction of the Project, the operation of the System, the receipt of the Gross Revenues, or in any way contesting or affecting the validity of the Bonds or any proceedings of Gauley River Public Service District (the "Issuer") taken with respect to the authorization, issuance, sale or delivery of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, issuance, sale or delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection of the Gross Revenues or the pledge of the Net Revenues for payment of the Bonds.

All capitalized terms used herein shall have the same meaning set forth in the Bond Resolution, authorizing the Bonds, duly adopted by the Issuer on October 8, 2014.

WITNESS my signature as of the date first written above.

Jackson Kelly PLLC
Counsel to Gauley River Public Service District

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

3.6

RECEIPT FOR BONDS

On this 10th day of October, 2014, the undersigned authorized representative of the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), for and on behalf of the Government, hereby certifies as follows:

1. On the date hereof, the undersigned received for and on behalf of the Government, the Water Revenue Bonds, Series 2014 A (United States Department of Agriculture) (the "Series 2014 A Bonds"), of Gauley River Public Service District (the "Issuer"), dated October 10, 2014, issued in the form of one bond in the principal amount of $1,240,000, and numbered AR-1. The Series 2014 A Bonds bear interest at the rate of 3.25% per annum, payable in monthly installments on the amounts advanced thereunder, commencing 30 days following the date of delivery of the Series 2014 A Bonds and continuing on the corresponding day of each month for the first 24 months after the date of the Series 2014 A Bonds, and thereafter, on the corresponding day of each month in installments of principal and interest on the Series 2014 A Bonds in the aggregate amount of $4,750, except that the final installment on the Series 2014 A Bonds shall be paid at the end of 40 years from the date of the Series 2014 A Bonds in the sum of the unpaid principal and interest due on the date thereof.

2. At the time of such receipt of the Series 2014 A Bonds, they had been executed by the Chairperson of the Issuer and attested by the Secretary of the Issuer, by their respective manual signatures, and the official seal of the Issuer had been impressed upon such Bonds.

WITNESS my signature as of the date first written above.

UNITED STATES OF AMERICA,
UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE

Teresa Miller

Authorized Representative

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

RECEIPT FOR BOND PROCEEDS

On this 10th day of October, 2014, the undersigned Chairperson of Gauley River Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certifies that the Issuer has received on the date hereof from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), the sum of $210,853.73, being the first advance on the Issuer's Water Revenue Bonds, Series 2014 A (United States Department of Agriculture) (the "Bonds"). The Issuer understands that the remaining proceeds of the Bonds will be advanced to the Issuer by the Government from time to time as construction progresses.

[The remainder of this page intentionally left blank.]

WITNESS my signature as of the date first written above.

GAULEY RIVER PUBLIC SERVICE DISTRICT

Russell D Duerig

Chairperson

GAULEY RIVER PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2014 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

On this 10th day of October, 2014, THE CITY NATIONAL BANK OF WEST VIRGINIA, Gauley Bridge, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution and a Supplemental Resolution adopted by Gauley River Public Service District (the "Issuer") on October 8, 2014 (collectively, the "Resolution"), authorizing the issuance of the Issuer's Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), in the principal amount of $1,240,000, dated October 10, 2014, and agrees to serve as Depository Bank, all as set forth in the Resolution.

WITNESS my signature as of the date first written above.

THE CITY NATIONAL BANK OF
WEST VIRGINIA

Deborah Seaman
Authorized Officer

WEST VIRGINIA MUNICIPAL BOND COMMISSION
Suite 1117
900 Pennsylvania Avenue, Charleston, WV 25321
(304) 558-3971

NEW ISSUE REPORT FORM
Date of Report: October 10, 2014

ISSUE: Gauley River Public Service District Water Revenue Bonds, Series 2014 A (United States Department of Agriculture)
ADDRESS: P.O. Box 47, Swiss, WV 26690 COUNTY: Fayette
PURPOSE OF ISSUE: New Money X
Refunding ____ Refunds issue(s) dated: ____

ISSUE DATE: October 10, 2014 CLOSING DATE: October 10, 2014

ISSUE AMOUNT: $1,240,000 RATE: 3.25%

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

1st DEBT SERVICE AMOUNT: N/A PAYING AGENT: None (District pays USDA directly)

BOND COUNSEL: Jackson Kelly PLLC
Contact Person: Samme L. Gee, Esquire
Phone: (304) 340-1318

UNDERWRITERS COUNSEL: ____
Contact Person: ____
Phone: ____

CLOSING BANK: The City National Bank of West Virginia
Contact Person: Debbie Seaman
Phone: (304)632-1333
E-Mail: Deborah.Seaman@cityholding.com

ESCROW TRUSTEE: ____
Contact Person: ____
Phone: ____

KNOWLEDGEABLE ISSUER CONTACT:
Contact Person: Russell Deering
Position: Chairperson
Phone: (304) 632-2508
E-Mail: gauleyriverpsd@yahoo.com

OTHER: USDA, Rural Utilities Service
Contact Person: Teresa Miller
Function: Rural Development Specialist
Phone: (304) 252-8644, ext. 163

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: The Bond Commission will only hold the Series 2014 A Bonds Reserve Account to be funded over 10 years. Debt service payments will be made directly by the District to the National Finance Office.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
Documents Required: ____
Transfers Required: ____

PWSID #: WV3301042

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

350 CAPITOL STREET, ROOM 313 CHARLESTON, WV 25301-3713
Telephone (304) 558-2981

PERMIT

(Water)

PROJECT: Summersville-Phase III Water Extension **PERMIT NO.:** 19,152

LOCATION: Zela **COUNTY:** Nicholas **DATE:** 11-16-2012

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

Gauley River Public Service District
P. O. Box 47
Swiss, West Virginia 26690

is hereby granted approval to: install approximately 11,000 LF of 8", 14,700 LF of 6" and 6,300 LF of 2" water line; and all necessary valves and appurtenances.

Facilities are to serve approximately 70 new customers in the Zela to Jerry Fork areas in Nicholas County. This water extension will connect to the Summersville-Phase II water extension and provide for a future interconnection with the Wilderness Public Service District.

Note: This permit is contingent upon all new water lines being disinfected, flushed and bacteriologically tested, prior to use.

The Environmental Engineering Division of the **OEHS-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:snj

pc: Pentree, Inc.
Ingrid Ferrell, PSC
Amy Swann, PSC
Nicholas County Health Department
OEHS-EED Beckley District Office

Approved OMB.No. 0572-0121
RUS Bulletin 1780-12

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

THIS AGREEMENT dated March 13, 2012 between

Gauley River PSD

a public corporation organized and operating under

Chapter 16 Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under jurisdiction at an estimated cost of **$2,187,000** and has duly authorized the undertaking of such project.

Grantee is able to finance not more than **$1,240,000** 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 **$1,240,000** has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed **$947,000** or **43.30%** 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 **43.30%** 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.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

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, **as approved by the West Virginia Public Service Commission,** 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).

Statutory Mortgage lien covering all real property now owned or herein after acquired.

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 property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than $5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of $5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

N/A

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland ``Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of $100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/97]

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 **947,000.00** which it will advance to Grantee to meet not to exceed **43.30%** 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: _____
Ted Elliott

(Title) **Secretary**

By: _____
Russell G. Deering

(Title) **Chairman**

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: _____ Rural Development Specialist
TERESA A. MILLER (Title)

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 8/25/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME: Renee Shotwell
Bill Bailey Insurance Agency 701 Highland Avenue P. O. Box 246 Williamstown WV 26187	PHONE (A/C, No, Ext): (304)375-4900 FAX (A/C, No): (304)375-2162 E-MAIL ADDRESS: rshotwell@bb-ins.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: American Alternative Insurance	19720
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	
INSURER F:	

INSURED	
Gauley River PSD P.O. Box 47 Swiss WV 26690	

COVERAGES **CERTIFICATE NUMBER:** CL1482501325 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT LOC	X		GPPA-PF-6053904-03	3/11/2014	3/11/2015	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 1,000,000 $ 10,000 $ 1,000,000 $ 3,000,000 $ 3,000,000
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS HIRED AUTOS SCHEDULED AUTOS NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ $ $ $
A	UMBRELLA LIAB X OCCUR X EXCESS LIAB CLAIMS-MADE DED RETENTION $			GPPA-PF-6053904-03	3/11/2014	3/11/2015	EACH OCCURRENCE AGGREGATE	$ 1,000,000 $ 1,000,000
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y/N If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	$ $ $

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

USDA Rural Development
481 Ragland Road
Beckley, WV 25801

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE:

Renee D. Shotwell

© 1988-2010 ACORD CORPORATION. All rights reserved.

The ACORD name and logo are registered marks of ACORD

PRODCO-1 OP ID: VE

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 10/07/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER United Security Agency 139 West Main Street Bridgeport, WV 26330 STEVEN P THOMPSON AALCIC	Phone: 304-842-3314 Fax: 304-842-7321
CONTACT NAME: PHONE (A/C, No, Ext): E-MAIL ADDRESS: FAX (A/C, No):	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: CINCINNATI INSURANCE CO.	10677
INSURER B: BRICKSTREET INSURANCE	12372
INSURER C:	
INSURER D:	
INSURER E:	
INSURER F:	

INSURED
PRO CONTRACTING INC
DAVE LANG
P O BOX 2442
CLARKSBURG, WV 26302-2442

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT LOC	X		EPP6191402	10/01/2014	10/01/2015	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG Emp Ben.	$ 1,000,000 $ SEE GA23 $ SEE GA23 $ 1,000,000 $ 2,000,000 $ 2,000,000 $ 1,000,000
A	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS			EBA9191402	10/01/2014	10/01/2015	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ 1,000,000 $ $ $
A	X UMBRELLA LIAB X OCCUR EXCESS LIAB CLAIMS-MADE DED X RETENTION $			EPP6191402	10/01/2014	10/01/2015	EACH OCCURRENCE AGGREGATE	$ 5,000,000 $ $
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y / N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		WCB1912765 WV BROAD FORM	10/01/2014	10/01/2015	WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	$ 1,000,000 $ 1,000,000 $ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

GAULEY RIVER PUBLIC SERVICE DISTRICT AND THE TERRACON GROUP INC. ARE LISTED AS ADDITIONAL INSURED IN REGARDS TO THE GENERAL LIABILITY POLICY. 30 DAY NOTICE OF CANCELLATION IS PROVIDED EXCEPT FOR NONPAYMENT OF PREMIUM. THIS IS FOR THE SUMMERSVILLE WATER EXTENSION PHASE III.

CERTIFICATE HOLDER

GAULEY RIVER PUBLIC SERVICE DISTRICT
29 SOUTH SWISS ROAD
NICHOLAS COUNTY, WV

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
Victoria B. Evans

© 1988-2010 ACORD CORPORATION. All rights reserved.

The ACORD name and logo are registered marks of ACORD

REVISED WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 24th day of August, 2009, between the CITY OF SUMMERSVILLE, a municipal corporation, 400 North Broad Street, Summersville, West Virginia 26651, hereinafter referred to as the "Seller," and the GAULEY RIVER PUBLIC SERVICE DISTRICT (PSD), P.O. Box 47, Swiss, West Virginia 26690, hereinafter referred to as the "Purchaser."

WITNESSETH:

The Purchaser is organized and established under Chapter 16, Article 13, Section 1 of the *West Virginia Code*, for the purpose of constructing and operating a water supply distribution system, hereinafter referred to as the "Project," serving water users within the area described in plans to be filed by the Purchaser as part of its forthcoming certificate application to the Public Service Commission of West Virginia, hereinafter referred to as the "PSC." Prior to constructing the Project, the Purchaser desires to assure itself of an adequate supply of water to provide the domestic needs of those customers to be served by the Project and to provide adequate flows of water for fire protection in the area served from the Project.

The Seller owns and operates a water supply distribution system and has a capacity sufficient to furnish treated and potable water to the Project customers intended to be served by the Purchaser and the estimated and reasonably foreseeable number of customers to be served by the Buyer in the future, as well as adequate fire protection for the Project service area.

By Resolution enacted on the 14th day of July, 2008, by the Seller, the sale of water to the Purchaser in accordance with this contract was approved, and the execution of this contract carrying

out the said resolution by the Mayor of the City of Summersville, and attested by the Recorder, was duly authorized.

By resolution of the Board of Directors of the Purchaser, enacted on the 8th day of July. 2008, the purchase of water from the Seller in accordance with this contract was approved, and the execution of this contract by the Chairman of the Purchaser, and attested by the Secretary was duly authorized.

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. *(Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter* specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the West Virginia Department of Health in such quantity as may be required by the Purchaser, estimated to be 1.6 million gallons per month for Phase I, 3.4 million gallons for Phase II, for a cumulative of 5 million gallons per month and an additional 600,000 gallons per month for Phase III make an estimated cumulative total for all phases of 5.6 millions gallons per month. Quantities shall be determined by the meter to be installed by the Purchaser and owned by the Seller, each of which shall have access at all times to the meter for purposes of determining metered quantities. Seller shall calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate.

The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the period subsequent to the last accurate test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at 40 PSI from an existing 8 inch main supply at a point located at Bright Mountain Estates. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Billing Procedure) To furnish the Purchaser at the above address not later than the fifth day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month, based upon the quantities metered as set forth in A. 1, above.

B. The Purchaser Agrees:

1. (Rates and Payment) To pay the Seller, not later than twenty (20) days after the bill has been rendered by Seller, a rate of $3.39 per 1000 gallons for water delivered in accordance with this contract. This rate will remain in effect for two years from the date that water is first delivered to the Purchaser by the Seller pursuant to this contract. At the end of said two years, the Purchaser and Seller will confer as to the rate for subsequent deliveries. If the Purchaser and Seller are unable to agree upon the rate for subsequent deliveries, then either may petition the PSC for review and

establishment of an appropriate rate, subject to the statutes of West Virginia relating to public utilities and the rules and regulations of the PSC as promulgated thereunder.

2. To install at its own expense and then convey to Seller pursuant to C.2 below at point of delivery at Bright Mountain Estates, situate in or near the municipal limits of the City of Summersville, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly and accurately measuring the quantity of water delivered by the Seller.

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of 40 years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and shall continue thereafter automatically on one year extensions hereof unless written notice of termination is given at least six (6) months in advance of the end of the then current one year extension.

2. (Ownership of Meter) Once the installation of the metering equipment is complete and the Purchaser commences purchasing water from the Seller, the parties agree that the metering equipment provided for herein shall become the exclusive property of Seller.

3. (Delivery of Water) Fifteen days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

4. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto and convenient to Seller, water sufficient for testing, flushing, and trench filling the system of the Purchaser during

construction, irrespective of whether the metering equipment has been installed at that time, at the agreed upon metered rates.

5. (Failure to Deliver) The Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

6. (Regulatory Agencies) The service to be rendered to the Buyer herein and the terms and conditions thereof shall, except as herein otherwise expressly provided, be in accordance with the Statutes of West Virginia relating to public utilities, rules and regulations validly promulgated by the PSC, and rules and regulations, terms and conditions, validly promulgated by the Seller in tariffs filed with the PSC and made effective in accordance with law and, when required, the approval of the PSC. The Seller and Purchaser will collaborate in obtaining all permits, certificates, or the like, as may be required to comply therewith, including from the PSC.

7. (Miscellaneous) The construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through Rural Development of the United States Department of Agriculture and Mousing and Urban Development Small Cities Community Development Block Grant, and the provisions hereof pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of Rural Development.

8. (Successor to the Purchaser) In the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in two counterparts, each of which shall constitute an original.

Seller:

CITY OF SUMMERSVILLE

By: _____

Its: Mayor

Attest: _____
Recorder

Purchaser:

GAULEY RIVER PUBLIC SERVICE DISTRICT

By: _____

Its: Chairman

Attest: _____
Secretary

This contract was approved by Rural Development this ____ day of _____, _____.

JACKSONKELLY
ATTORNEYS AT LAW PLLC

500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

CLOSING MEMORANDUM

3.14

To: **Russell Deering**
Teresa Miller

From: **Samme Gee**

Date: **October 10, 2014**

Re: **Gauley River Public Service District Water Revenue Bonds, Series 2014 A (United States Department of Agriculture)**

---

1. DISBURSEMENTS TO DISTRICT

A.	Payor:	United States Department of Agriculture
	Source:	Series 2014 A Bonds Proceeds
	Amount:	$210,853.73
	Date:	October 10, 2014
	Form:	Electronic Funds Transfer
	Payee:	Gauley River Public Service District
	Bank:	The City National Bank of West Virginia, 1 Main Street, Gauley Bridge, WV 25085
	Contact:	Debbie Seaman (304) 632-1333
	Routing No.:	051904524
	Account No.:	9010207208
	Account:	Series 2014 A Bonds Construction Trust Fund

RESOLUTION OF THE PUBLIC SERVICE BOARD OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO THE COMPLETION OF ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATER FACILITIES OF THE DISTRICT AND AUTHORIZING PAYMENT THEREOF

WHEREAS, the Gauley River Public Service District (the "District") has reviewed the invoices attached hereto and incorporated herein by reference relating to the completion of acquisition and construction of certain improvements and extensions to the existing public water facilities of the District to be financed in part by the proceeds of the District's Water Revenue Bonds, Series 2014 A, and by other sources, and finds as follows:

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

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

(C) That each of such costs has been otherwise properly incurred; and

(D) That payment for each of the items proposed is now due and owing.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE GAULEY RIVER PUBLIC SERVICE DISTRICT AS FOLLOWS:

There is hereby authorized and directed the payment of the attached invoices as summarized as follows:

VENDOR	PURPOSE	AMOUNT
Jackson Kelly PLLC	Issuer's Counsel	$ 30,000.00
Jackson Kelly PLLC	Bond Counsel	$ 20,000.00
Gauley River PSD	Reimbursements	$ 13,606.73
Thrasher Group	Engineering	$147,247.00
	TOTAL:	$210,853.73

Adopted by the Public Service Board of the District at a meeting held on the 8th day of October, 2014.

Russell H Burns
Chairperson

[SEAL]

Secretary

JACKSONKELLY
ATTORNEYS AT LAW PLLC

500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

INVOICE

EMPLOYER I.D. NO. 550394215

October 10, 2014

4046/321

Gauley River Public Service District
PO Box 47
Swiss, WV 26690
ATTN: Russell G. Deering, Chairman

Re: Gauley River Public Service District
Water Revenue Bonds, Series 2014 A (United States Department of Agriculture)

For legal fees and expenses rendered serving as bond counsel for the above-referenced transaction.

FEES & EXPENSES:	$20,000.00
TOTAL STATEMENT:	$20,000.00

Wiring Instructions:

Jackson Kelly PLLC
1600 Laidley Tower
500 Lee Street
PO Box 553
Charleston, WV 25301

Bank Name	Branch Banking & Trust
ABA Number	051503394
Account Number	5172879588
Reference Information:	4046/321

JACKSON KELLY
ATTORNEYS AT LAW PLLC

500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

INVOICE

EMPLOYER I.D. NO. 550394215

October 10, 2014

4046/321

Gauley River Public Service District
PO Box 47
Swiss, WV 26690
ATTN: Russell G. Deering, Chairman

Re: Gauley River Public Service District
Water Revenue Bonds, Series 2014 A (United States Department of Agriculture)

For legal fees and expenses rendered serving as bond counsel for the above-referenced transaction.

FEES & EXPENSES:	$20,000.00
TOTAL STATEMENT:	$20,000.00

Wiring Instructions:

Jackson Kelly PLLC
1600 Laidley Tower
500 Lee Street
PO Box 553
Charleston, WV 25301

Bank Name	Branch Banking & Trust
ABA Number	051503394
Account Number	5172879588
Reference Information:	4046/321

THE THRASHER GROUP, INC.

155 BLUE ANGEL LANE

BEAVER, WV 25813

304.431.7800

INVOICE

GAULEY RIVER PSD

P O BOX 47

SWISS, WV 26690-0047

Invoice Number:	204388
Project #:	505-010-0550.306
Client #:	05GAU001
Date:	9/30/2014
Thrasher P.M.:	BROWN, ANTHONY J

Scope of Work:

SUMMERSVILLE WATER EXTENSION PROJECT - PHASE III
ADDITIONAL SERVICES

Professional Services

Total Fee	23,167.00	
Percent Complete	100.00	
Total Fee Billed	23,167.00	
Previously Billed	.00	
Current Fee Billing	23,167.00	
	Invoice Amount	$23,167.00

THE THRASHER GROUP, INC.

155 BLUE ANGEL LANE

BEAVER, WV 25813

304.431.7800

INVOICE

GAULEY RIVER PSD

P O BOX 47

SWISS, WV 26690-0047

Invoice Number:	204387
Project #:	505-010-0550.300
Client #:	05GAU001
Date:	9/30/2014
Thrasher P.M.:	BROWN, ANTHONY J

Scope of Work:

SUMMERSVILLE WATER EXTENSION PROJECT - PHASE III

ENGINEERING DESIGN (80%) = $ 124,080.00
ENGINEERING DURING CONSTRUCTION (15%) = 23,266.00
RECORD DRAWINGS (5%) = 7,755.00

Professional Services

Total Fee	155,101.00	
Percent Complete	80.00	
Total Fee Billed	124,080.00	
Previously Billed	.00	
Current Fee Billing	124,080.00	
	Invoice Amount	**$124,080.00**

GAULEY RIVER PUBLIC SERVICE DISTRICT
29 SOUTH SWISS RD. / P.O. BOX 47 PH: (304) 632-2506
SWISS, WV 26690-0047

City NATIONAL BANK

016688

DATE	CHECK NO.	AMOUNT
10/10/13	016,688	$1,170.00

** ONE THOUSAND ONE HUNDRED SEVENTY AND 00/100 DOLLARS

PAY TO THE ORDER OF
DEPT ENVIRONMENTAL PROTECTION
DIV WATER/WASTE MGT (TRES/RPD)
PO BOX 364
CHARLESTON WV 25322

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

⑈016688⑈ ⑆051904524⑆ 90000184 30⑈

VENDOR NUMBER	VENDOR NAME	CHECK DATE	CHECK NUMBER
1,303	DEPT ENVIRONMENTAL PROTECTION	10/10/13	016,688

DESCRIPTION	INVOICE DATE	REFERENCE	AMOUNT
DEP PERMIT PHASE III	10/10/13	101013	1,170.00
Check# 16,688 Amount - $1,170.00			

(RPD)

⑈016875⑈ ⑆051904524⑆ 900001843 0⑈

2,019	BILL BAILEY INS. AGENCY, INC. / BILL BAILEY	1/14/14	016,875

POLICY HL1215433	1/09/14	63013	1,000.00
POLICY W150146188	1/08/14	63004	250.00

Check# 16,875 Amount - $1,250.00

Bill Bailey Insurance Agency, Inc.
701 Highland Ave.
P.O. Box 246
Williamstown, WV 26187
(304) 375-4900

INVOICE

[illegible]	Gauley River PSD
[illegible]	01/09/2014
[illegible]	Bill Bailey Inc.
[illegible]	Renee Shotwell
[illegible]	1 of 1

Gauley River PSD
P.O. Box 47
Swiss, WV 26690

PAYMENT FOR: [illegible]
HLI1215433

Thank You

PLEASE DETACH AND RETURN WITH PAYMENT

Customer: Gauley River PSD

INVOICE	EFFECTIVE	TRANSACTION	DESCRIPTION	AMOUNT
63013	01/09/2014	New business	Policy #HLI1215433 01/09/2014-01/09/2015 Old Republic Surety Company WV DOH Permit Bond $100K Phase III	1,000.00

CR # 16874
1/14/14
1250.00

TOTAL
1,000.00

Thank You

Bill Bailey Insurance Agency 701 Highland Avenue P. O. Box 246 Williamstown, WV 26187	(304) 375-4900	DATE 01/09/2014

AFW301 To reorder call us at [illegible] AgencySource

Bill Bailey Insurance Agency, Inc.
701 Highland Ave.
P.O. Box 246
Williamstown, WV 26187
(304) 375-4900

INVOICE

CLIENT	Gauley River PSD
	3798
DATE	09/12/2014
CLIENT SERVICE	Bill Bailey Ins.
	Renee Shotwell
PAGE	1 of 1

Gauley River PSD
P.O. Box 47
Swiss, WV 26689

PAYMENT INFORMATION

INVOICE SUMMARY	
PAYMENT AMOUNT	1,250.00
PAYMENT FOR:	Invoice#65711
HLI1214115	

Thank You

PLEASE DETACH AND RETURN WITH PAYMENT

Customer: Gauley River PSD

INVOICE	EFFECTIVE	TRANSACTION	DESCRIPTION	AMOUNT
65711	10/27/2014	Renew policy	Policy #HLI1214115 10/27/2014-10/27/2015 Old Republic Surety Company DOH Permit Bond Renewal	1,250.00

TOTAL
1,250.00

Thank You

Bill Bailey Insurance Agency 701 Highland Avenue P. O. Box 246 Williamstown, WV 26187	(304)375-4900	DATE 09/12/2014

AMS360301 To reorder call us at 800-235-7180 AgencySource

GAULEY RIVER PUBLIC SERVICE DISTRICT
WEST VIRGINIA DOT - DIVISION OF HIGHWAYS
DISTRICT 9

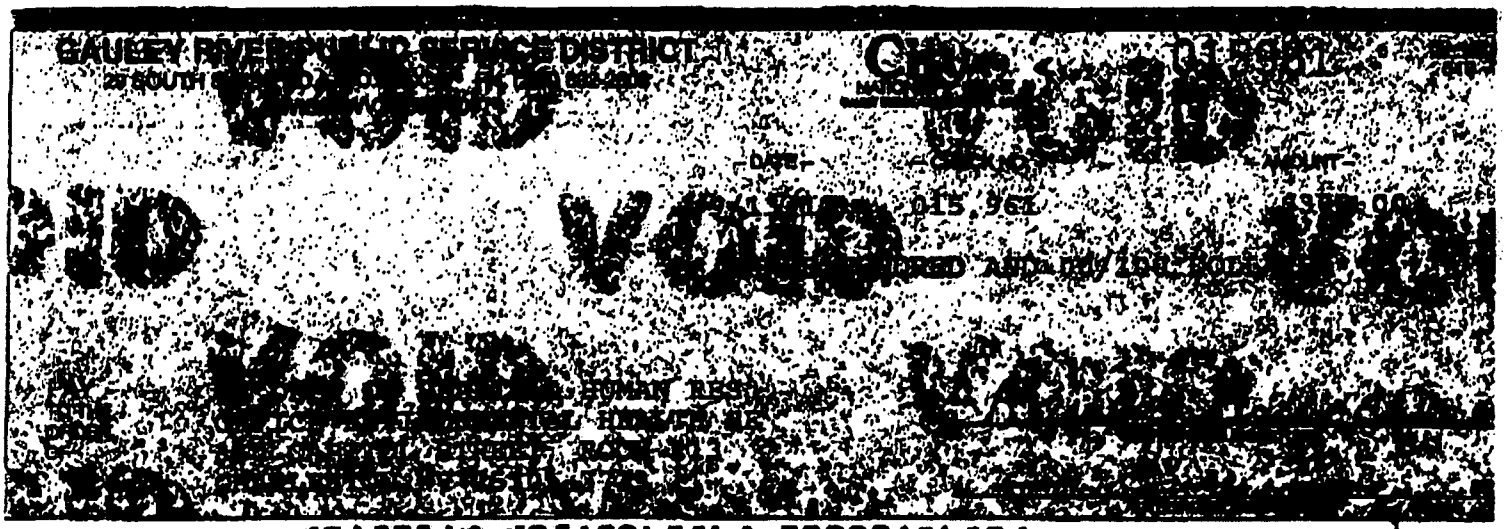
PERMIT APPLICATION

ROUTES AND QUANTITIES FOR WATERLINE INSTALLATION
SUMMERSVILLE WATERLINE EXTENSION PROJECT - PHASE III
July 21, 2013

Route No.	Sheet No.	Parallel(lf)					Road Bores with Casing(lf)				
		10"	8"	6"	2"	1"	10"	8"	6"	2"	1"
39	1		250								
19/28	1										
39	2		3,130		100	60		90			30
19/19	2			175							
39	3		1,055	210		35		30			30
39	4		1,390					30			
19/19	5			1,790		5			20		
19/87	5			860		5			20		
19/19	6			505	475	5				25	
19/87	7			2,025		40			40		20
None	8										
39	9			970							
39/38	9			2,250		75					50
39/38	10			2,210		155					125
39/38	11			1,930		220					180
SUBTOTAL		0	5,825	12,925	575	600	0	150	80	25	405

TOTAL FOOTAGE	20,585

TOTAL COST	$8,851.55



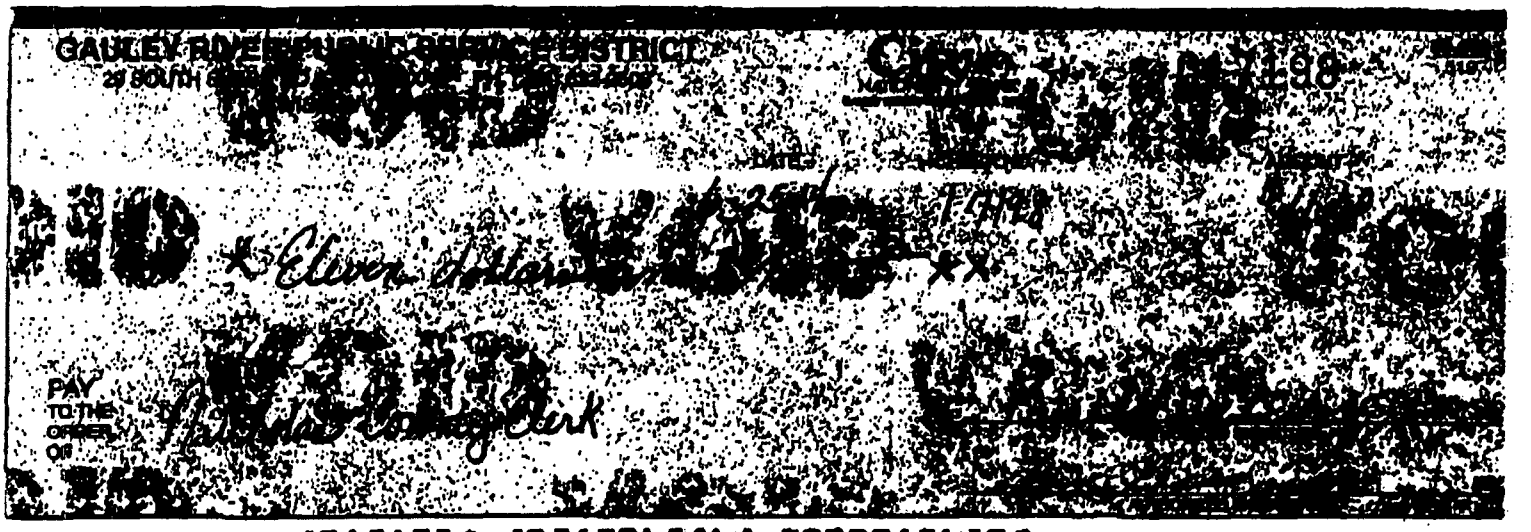
⑈015961⑈ ⑆051904524⑆ 90000184308

2,305	WV DEPT OF HEALTH & HUMAN RES	9/13/12	015,961

PERMIT APPLICATION FEE-PHASE III Check# 15,961 Amount - $300.00	9/13/12	91312		300.00

⑈017361⑈ ⑆051904524⑆ 9000018430⑈

Nicholas Circuit Clerk	9/15/14	Ch# 017361	$244.17
Right of entry PHASE III Vickers property			



⑈017198⑈ ⑆051904524⑆ 90000184308

VENDOR NUMBER	VENDOR NAME	CHECK DATE	CHECK NUMBER
	Nicholas County Clerk	6-25-14	17198

DESCRIPTION	INVOICE DATE	REFERENCE	AMOUNT
R.O.W. Easement - Yoder			$11.00

Nicholas County Clerk
Audra Deitz County Clerk
700 Main Street
Suite 2
Summersville, WV 26651
Phone Number: (304)872-7820

Official Receipt: 2014-00003120
Printed on 06/25/2014 at 11:04:27 AM
By: 15 on NCCFEE1

GAULEY RIVER PSD
Date Recorded: 06/25/2014

Instrument ID	Recorded Time	Amount
Bk 488 Pg 518	11:04:11 AM	$11.00

R-W EASEMENT
YODER, TRAVIS
TO:GAULEY RIVER PUBLIC SERVICE DISTRICT

Itemized Check Listing

Check # 17198	$11.00
Total Due:	$11.00
Paid By Check:	$11.00
Change Tendered:	$0.00

HAVE A NICE DAY

GAULEY RIVER PUBLIC SERVICE DISTRICT
29 SOUTH SWISS RD. P.O. BOX 47 PH. (304) 632-2508
SWISS, WV 26690-0047

City NATIONAL BANK

017320

DATE	CHECK NO.	AMOUNT
8/28/14	017,320	$220.00

TWO HUNDRED TWENTY AND 00/100 DOLLARS

PAY TO THE ORDER OF
BRUCE W. WORKMAN
19689 TURNPIKE ROAD
SUMMERSVILLE WV 26651

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

⑈017320⑈ ⑆051904524⑆ 900001843⑈

VENDOR NUMBER	VENDOR NAME	CHECK DATE	CHECK NUMBER
2,315	BRUCE W. WORKMAN	8/28/14	017,320

DESCRIPTION	INVOICE DATE	REFERENCE	AMOUNT
RIGHT OF WAY 3-2	8/27/14	3-2 RW	220.00
Check# 17,320 Amount - $220.00			

The Nicholas Chronicle

A Division of Nicholas County Publishing Co., Inc.
718 BROAD ST
PO 503
SUMMERSVILLE WV 26651

Invoice

Invoice #: 00009251
Date: 6/26/2014
Ship Via:
Page: 1

Bill To:

GAULEY RIVER PSD
PO BOX 47
SWISS, WV 26690

Description	Amount
LEGAL ADVERTISEMENT	
SUMMERSVILLE WATER EXTENSION PROJECT - PHASE III	
FIRST PUBLICATION 6/19/2014 (1,361 WORDS @ .12¢/WORD)	$163.32
SECOND PUBLICATION 6/26/2014 (75% OF FIRST PUBLICATION)	$122.49

7-9-14
CK 17226
285.81

Your Order #:
Shipping Date:
Terms: Net 30

Total Amount:	$285.81
Amount Applied:	$0.00
Balance Due:	$285.81

GAULEY RIVER PUBLIC SERVICE DISTRICT
29 SOUTH SWISS RD. P.O. BOX 47 PH. (304) 632-2508
SWISS, WV 26690-0047

City NATIONAL BANK

017384

DATE	CHECK NO.	AMOUNT
9-29-14	17384	24.20

PAY TO THE ORDER OF Nicholas Co Clerk

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

⑈017384⑈ ⑆051904524⑆ 9000018430⑈

VENDOR NUMBER	VENDOR NAME	CHECK DATE	CHECK NUMBER
		9-29-14	017384

DESCRIPTION	INVOICE DATE	REFERENCE	AMOUNT
Nicholas Country Clerk			$24.20

Nicholas County Clerk
Audra Deitz County Clerk
700 Main Street
Suite 2
Summersville, WV 26651
Phone Number: (304)872-7820

Official Receipt: 2014-00004827
Printed on 09/29/2014 at 09:27:51 AM
By: 15 on NCCFEE1

GAULEY RIVER PSD
Date Recorded: 09/29/2014

Instrument ID	Recorded Time	Amount
Bk 490 Pg 236	09:25:42 AM	$24.20

R-W EASEMENT
BECKWITH LUMBER COMPANY
TO:GAULEY RIVER PSD

Itemized Check Listing
Check # 17384 $24.20

Total Due: $24.20
Paid By Check: $24.20
Change Tendered: $0.00
HAVE A NICE DAY

GAULEY RIVER PUBLIC SERVICE DISTRICT, P.O. BOX 47, SWISS, WV 26690-0047

JACKSONKELLY
ATTORNEYS AT LAW PLLC

500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

October 10, 2014

Gauley River Public Service District
Swiss, West Virginia

United States Department of Agriculture,
Rural Utilities Service
Beckley, West Virginia

Re: Gauley River Public Service District Water Revenue Bonds, Series 2014 A (United States Department of Agriculture)

Ladies and Gentlemen:

We have served as bond counsel to Gauley River Public Service District (the "Issuer") in connection with the issuance of its Water Revenue Bonds, Series 2014 A (United States Department of Agriculture), dated the date hereof (the "Bonds").

We have examined certified copies of proceedings and other papers relating to the issuance of the Bonds. The Bonds are issued in the principal amount of $1,240,000, in the form of one bond and bear interest from the date hereof, on the amount advanced thereunder, at the rate of 3.25% per annum.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and have been authorized by a Bond Resolution duly adopted by the Issuer on October 8, 2014, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 8, 2014 (collectively, the "Resolution"). The Bonds are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public water facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution when used herein.

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

Charleston, WV • Clarksburg, WV • Martinsburg, WV • Morgantown, WV • Wheeling, WV
Denver, CO • Evansville, IN • Lexington, KY • Canton, OH • Pittsburgh, PA • Washington, DC

1. The Issuer is a duly created and validly existing public service district and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Issuer has legally and effectively adopted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Bonds. The Resolution constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms thereof.

3. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and a pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the First Lien Bonds, and senior and prior to the Series 1986 B Bonds, all in accordance with the terms of the Bonds and the Resolution.

4. Under the Act, the Bonds and the interest thereon are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

5. The Bonds have not been issued on the basis that the interest 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.

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

We have examined the executed Bond numbered AR-1 and in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

Jackson Kelly PLLC

JACKSONKELLY
ATTORNEYS AT LAW PLLC

500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

October 10, 2014

Gauley River Public Service District
Swiss, West Virginia

United States Department of Agriculture,
Rural Utilities Service
Beckley, West Virginia

Re: Gauley River Public Service District Water Revenue Bonds, Series 2014 A (United States Department of Agriculture)

Ladies and Gentlemen:

We are counsel to Gauley River Public Service District (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Jackson Kelly PLLC, as bond counsel, relating to the above-captioned bonds of the Issuer (the "Bonds"), the Letter of Conditions dated August 4, 2010, and Amendment No. 1 to Letter of Conditions dated March 13, 2012, and all amendments thereto, from the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), a Bond Resolution duly adopted by the Public Service Board of the Issuer (the "Board") on October 8, 2014, as supplemented by a Supplemental Resolution duly adopted on October 8, 2014 (collectively, the "Resolution"), orders of The County Commission of Fayette County relating to the Issuer and the appointment of members of the Board, and other documents relating to the Bonds and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution when used herein.

We are of the opinion that:

1. The Issuer is a duly created and validly existing public service district and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System and to adopt the Resolution, all under the Act and other applicable provisions of law.

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

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

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Resolution and the Bonds 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 resolution, agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.

5. The Issuer has received all permits, licenses, approvals, consents, certificates, orders, exemptions, registrations and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, all requisite permits, approvals, orders and certificates from The County Commission of Fayette County, the West Virginia Bureau for Public Health and the West Virginia Infrastructure and Jobs Development Council. The Issuer has taken all actions required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Recommended Decision of the Administrative Law Judge on December 9, 2013, as made final by the Public Service Commission of West Virginia (the "PSC") on December 29, 2013, in Case No. 13-1119-PWD-CN granting to the Issuer a certificate of public convenience and necessity for the Project and approving the rates for the System and the financing for the Project. The time for appeal of the Order has expired prior to the date hereof without any appeal having been filed. The Order remains in full force and effect.

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

7. We have ascertained that all successful bidders have provided the drug free workplace affidavit, submitted their drug free workplace plan, and the contracts contain language that complies with the Drug Free Workplace Act, Article 1D, Chapter 21 of the West Virginia Code. All successful bidders have made the required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy. Based upon our review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, we are of the opinion that such surety bonds and policies (1) are in compliance with the contracts; (2) are

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

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

Very truly yours,

Jackson Kelly PLLC

JACKSONKELLY
ATTORNEYS AT LAW PLLC

500 LEE STREET EAST • SUITE 1600 • P.O. BOX 553 • CHARLESTON, WEST VIRGINIA 25322 • TELEPHONE: 304-340-1000 • TELECOPIER: 304-340-1130
www.jacksonkelly.com

DIRECT TELEPHONE: (304) 340-1047 DIRECT TELECOPIER: (304) 340-1080
E-Mail: mwooton@jacksonkelly.com
State Bar No. 9654

October 10, 2014

Mr. Russell G. Deering, Chairman
Gauley River Public Service District
Post Office Box 47
Swiss, West Virginia 26690

Ms. Teresa A. Miller
Rural Development Specialist
United States Department of Agriculture
Rural Development
481 Ragland Road
Beckley, WV 25801

Re: Narrative Opinion for Gauley River Public Service District
Summersville Main Extension Project - Phase III

Dear Mr. Deering and Ms. Miller:

We serve as counsel to Gauley River Public Service District (the "District") in connection with Phase III of a proposed water line extension in Nicholas County, West Virginia extending along West Virginia Route 39 from the Zela area to West Virginia Route 19/21 (the "Project") to be funded by a loan and two grants ("Project Funding") to be issued by Rural Utilities Service ("RUS") and administered on behalf of RUS by the United States Department of Agriculture, Rural Development ("USDA-RD"). We provide this opinion on behalf of the District in satisfaction of the requirements of Condition No. 7.c. of the letter of conditions for the Project dated August 4, 2010, as amended. Please be advised of the following:

1. The District has obtained all necessary permits and approvals for the construction of the Project, including, but not limited to, a certificate of convenience and necessity ("Certificate") issued for the Project by the Public Service Commission of West Virginia ("Commission") by an Administrative Law Judge Recommended Decision entered on December 9, 2013, in Case No. 13-1119-PWD-CN, which said Recommended Decision became a Final Order of the Commission on December 29, 2013. In addition to granting a Certificate for the Project, the Commission approved the Project Funding and increased rates and charges of the District designed to generate additional revenue to meet Project Funding debt service requirements.

2. We have examined the records on file in the Office of the Clerk of the County Commission of Nicholas County, West Virginia, the county in which the Project is to be located, and, in our opinion, the District has acquired legal title or such other estate or interest in all of the necessary site components for the Project, including all easements and/or rights of way

sufficient to give the District a continuous and adequate right-of-way to permit the construction, operation and maintenance of the Project.

3. All requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and Chapter 54 of the West Virginia Code have been met in the acquisition of all rights-of-way acquired by the District to date.

4. A rights of entry granting the District defeasible title to the following listed easement and right-of-way for the purpose of construction, operation and maintenance of the Project on the subject property was acquired by an order of the Circuit Court of Nicholas County entered on September 15, 2014. The District's title is defeasible in the event the District does not satisfy any resulting judgment and/or award in the proceedings for acquisition of said properties, and our certification is subject to the pending litigation involving the following easements and rights-of-way:

R/W Map	R/W #	Tax Map	Parcel #	Property Owners	Will Book	Page
5	5-2	16	16	Dayton A. Neil, James E. Neil and Thomas M. Neil	21	342

5. All easements, rights-of-way and rights of entry acquired to date by the District have been duly recorded in the Office of the Clerk of the County Commission of Nicholas County to protect the legal title to and interest of the Issuer.

JACKSON KELLY PLLC

By: Michelle Elmore Wooton

Michelle Elmore Wooton, Member
1600 Laidley Tower
500 Lee Street, East
Charleston, WV 25301

Position 5

Form RD 442-22
(Rev. 10-96)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

FORM APPROVED
OMB NO. 0575-0015

OPINION OF COUNSEL RELATIVE TO RIGHTS-OF-WAY

Date: October 10, 2014

Dear Sir or Madam:

We have reviewed the action taken by Gauley River Public Service District (hereinafter called the "Corporation") in obtaining rights-of-way for the construction, operation, and maintenance of the facilities to be installed, repaired, or enlarged with the proceeds of a loan made or insured by, and/or a grant from, Rural Development to the Corporation. We have examined the right-of-way instruments, permits, or licenses obtained from landowners, public bodies, and public utilities and made such searches of the public records necessary to determine the legal sufficiency of the instruments covered by the "Right-of-way Certificate," executed by the Corporation as of October 8, 2014 at 2:00 p.m. Eastern Daylight Savings Time. We have also examined the "Right-of-way Map" to determine whether continuous and adequate land and rights-of-way are owned or have been acquired by the instruments covered in the "Right-of-way Certificate".

Based on the foregoing examination, and to the best of my knowledge, information, and belief, we are of the opinion that:

A. The legal instruments by which the Corporation has acquired said rights-of-way (a) are in appropriate and due legal form and adequately confer upon the Corporation the necessary rights-of-way for the construction, operation, and maintenance of its facilities in their present or proposed location, and such omissions or defects as may exist will in no substantial way or manner endanger the value or operation of the facilities, and (b) have each been properly recorded in the appropriate public land records of each County in which any of the land affected thereby is situated. Such consents, releases, or subordinations from lienholders recommended by me or required by Rural Development have been obtained.

B. The legal instruments referred to above, together with the required permits, licenses and authorizations obtained by the Corporation, give unto the Corporation a continuous and adequate right-of-way and legal authority to permit the construction, operation, and maintenance of the Corporation's facilities, except for the rights-of-way noted below which have either not yet been obtained or which require further curative work to eliminate exceptions.

C. Exceptions: None.

JACKSON KELLY PLLC

By: Michelle Elmore Wooton

Michelle Elmore Wooton, Member
1600 Laidley Tower
500 Lee Street, East
Charleston, WV 25301

Position 5

UNITED STATES DEPARTMENT OF AGRICULTURE

Form RD 1927-10 (Rev. 9-99)

RURAL DEVELOPMENT
FARM SERVICE AGENCY

FORM APPROVED
OMB NO. 0575-0147

FINAL TITLE OPINION

Loan Applicant Gauley River Public Service District	Address of Property See attached Schedule A	
Applicant for Title Examination Gauley River Public Service District	Counties Clay, Fayette, Nicholas	State West Virginia

I. We have examined title to the real property described in the attached Schedule A, which said property is secured by the security instrument described in paragraph II. B. below. Our examination covered the period from the time of termination of title search covered by our Preliminary Title Opinion on Form RD 1927-9; or the time of recordation of the initial loan security instrument if this opinion covers land already owned by the applicant in a subsequent loan case, to October 9, 2014 at 1:00 p.m. Eastern Standard Time (including the time of filing of the current security instrument).

II. Based on said title examination, our preliminary title examination, and any additional information concerning the title which has come to our attention, it is our opinion that:

A. Good and marketable title, in accordance with title examination standards prevailing in the area, to said property (real estate and any water rights offered as security) is now vested in Gauley River Public Service District as the sole owner thereof, subject to all matters set forth in the attached Schedule A;

B. The United States of America holds a valid first priority statutory lien on said property as required by Rural Development or the Farm Service Agency, or their successor (Agency), which lien was filed for record on _____, _____, at _____ a.m. and is recorded in N/A.
(Date) p.m. (*Book, page, and office*)

C. Said property and lien are subject only to encumbrances, reservations, exceptions, and defects which were approved by written administrative waivers of the Agency attached hereto or as set forth in our Preliminary Title Opinion and in the attached Schedule A.

III. If a water right is involved and is not covered by the current security instrument, it is subject only to the encumbrances, reservations, exceptions, and defects set forth in said administrative waivers and was made available as security in the following manner: Not Applicable.

IV. The term "encumbrances, reservations, exceptions, and defects" means all matters which would prevent the United States from obtaining the required lien on the property identified in paragraph I, including but not limited to (a) mortgages, deeds of trust, and vendors', mechanics', materialmen's, and all other liens, including any provisions thereof for future advances which could take priority over the said lien to the United States, (b) Federal, State, and local taxes, including county, school, improvement, water, drainage, sewer, inheritance, personal property, and income, (c) State and Federal bankruptcy, insolvency, receivership, and probate proceedings, (d) judgments and pending suits, in State and Federal courts, (e) recorded covenants; conditions; restrictions; reservations, liens; encumbrances; easements; rights-of-way; leases; mineral, oil, gas, and geothermal rights (regardless of the right of surface entry); timber rights; water rights; pending court proceedings and other matters of record which affect the title of the property or the ability of the buyer or seller to convey or accept title.

V. This Opinion is issued expressly for the benefit of the above-named applicant for title examination and the United States of America acting through the United States Department of Agriculture Agency which provided the assistance and I assume liability to each hereunder.

Date: October 10, 2014

JACKSON KELLY PLLC

By: Michelle Elmore Wooton

Michelle Elmore Wooton, Member
1600 Laidley Tower
500 Lee Street, East
Charleston, WV 25301

FINAL TITLE OPINION

Schedule A

Loan Applicant: Gauley River Public Service District (the "District").

Date: October 10, 2014.

PROPERTY DESCRIPTIONS, ENCUMBRANCES, RESERVATIONS, EXCEPTIONS AND DEFECTS

NOTE: This Final Title Opinion and each of the properties described herein are subject to the following limitations:

A. This is a Final Title Opinion on the surface ownership only and does not certify coal, oil and gas, or other minerals.

B. This Final Title Opinion is further made subject to the following:

1. Any errors, inaccuracies, or omissions in the indices and records contained in the Office of the Clerk of the County Commission of the specified County, Clerk of Courts, or County Assessor's Office or matters not permanently indexed therein;

2. Any state of facts that might be disclosed by an accurate survey of the properties described herein or by an actual view thereof;

3. Any rights of persons or firms for labor, service, or material contracted for, supplied for, or used in connection with the construction or repairs of the properties described herein within the statutory period for filing liens therefore;

4. Any violations of zoning and other governmental regulations or any special taxes and assessments not shown recorded in the Office of the Clerk of the County Commission of specified County, Clerk of Courts, or County Assessor's Office;

5. The rights or claims of any persons in possession and holding adversely any part of the properties described herein; and

6. Any violation of any city, municipal, county, state, or federal environmental regulations or laws.

CLAY COUNTY REAL PROPERTY

1. Bentree Tank Site

(a) Description:

That certain tract or parcel of land situate in Pleasant District, Clay County, West Virginia, more particularly described as follows:

> BEGINNING at an iron pipe set, said iron pipe being N 16° 49' 13" E 474.45' from the southeastern corner of the parcel owned by the Church of God (Tax Map 29, Parcel 52.1, Deed Book 99, Page 431), said iron pipe also being N 54° 24' 28" E 593.30' from the northwestern corner of the parcel owned by Clara Mae Morton (Tax Map 29, Parcel 51, Deed Book 10, Page 682). From said iron pipe; thence S 60° 00' 00" E 50.00' to an iron pipe set; thence N 30° 00' 00" E 50.00' to an iron pipe set; thence N 60° 00' 00" W 50.00' to an iron pipe set;

thence S 30° 00' 00" W 50.00' to BEGINNING, containing 0.06 acres, more or less, to be used as a site for a water tank.

The above-described Tank Site was acquired by the District from Dingess-Rum Coal Company by Quitclaim deed dated August 18, 1993, of record in the office of the Clerk of the County Commission of Clay County, West Virginia in Deed Book 161, Page 103. [NOTE: this deed also conveyed the Nicholas County Booster Station Site described in No. 2 below and the deed was also recorded in Nicholas County as described below.]

(b) Encumbrances, reservations, exceptions and defects:

- The above-described deed conveying the Tank Site and Booster Station Site to the District is a quitclaim deed, containing no warranties of title whatever;

- The above-described deed also granted and conveyed an easement for an access road to the Tank Site. The deed provides that the Grantor has no obligation to maintain or repair said road but retains unto itself, its successors, lessees, permittees, and assigns the right to "repair, improve, abandon or relocate said road." The deed further provides that the Grantor makes no warranty of title to said road;

- The Grantor in the above-described deed reserves "all coal, oil, gas and all other minerals or mineral substances of every kind under the surface of said tracts together with the right to mine and remove the same, subject to the following limitations and restrictions:

  A. Oil, gas and other liquid and gaseous substances shall be removed in such manner and at such place as to not to interfere with the use of said water tank and booster station and the related activities by the GRANTEE on the surface of said tracts.

  B. No solid materials of any kind may be removed from the first 100 feet vertically underlying the surface of the ground under which said water tank and booster station rests, except that which is required to be removed for necessary hallways, ventilation, and/or drainage and escapeways and in such event sufficient support of a permanent nature shall be provided for tank site and booster station site.

  C. For the next 300 feet vertically underlying the 100 feet mentioned in Paragraph B, not more than 60 percent of the virgin solid material may be removed and the remaining 40 percent shall be left in place in the form of evenly spaced pillars of substantially equal size.

  D. There are, and shall be, no limitations or restrictions of any kind on mining operations and/or the quantity of materials removed thereby, below the bottom of said 300 feet or in any area outside of the aforesaid restricted zone, regardless of depth below the surface of the land on which the tank and booster station rests.

  E. It is covenanted and agreed between the parties that the said tracts or parcels of land shall be used for the exclusive purpose of constructing and maintaining thereupon a water storage tank and booster station. Should such tracts or parcels cease to be used for purposes of maintaining thereupon a water storage tank or booster station for a period of one year, then, and in that event, GRANTOR shall have the right, but not the obligation, to re-enter the premises and terminate the estate heretofore conveyed. The GRANTOR, its successors or assigns, shall evidence such re-entry by recording an affidavit of such in the Office of the Clerk of the County in which the property is located.

  F. Grantee recognizes that GRANTOR is the owner of the above described properties and also is owner of additional lands near to and in the vicinity of and adjoining said properties and that GRANTOR, its lessees and permittees have, for many years, conducted coal mining, timbering and oil and gas operations on all of said lands and have

used said property in connection with such operations and have valid existing rights in respect to such use. GRANTOR reserves for itself, its successors, lessees, permittees and assigns the right to continue such operations on such lands, including the right to use the road and said properties herein described for the purpose of transporting coal, timber, mine materials, men and supplies over and across the same in connection with its operations and otherwise to develop such lands. By accepting this deed, GRANTEE acknowledges such use and waives all rights to object to the same and agrees upon request of GRANTOR, GRANTEE, GRANTEE's heirs, successors and assigns will execute all waivers or authorizations required under 38 W. Va. Code of State Regulations 2-3.3(b) or other applicable state, federal or local laws to allow GRANTOR's use of said road and properties in the conduct of such operations as hereinabove set forth. As security for GRANTEE's performance of this undertaking, GRANTEE hereby grants to GRANTOR, its successors and assigns, a power of attorney to execute and deliver on behalf of GRANTEE any such required consent or authorization and agrees that the power of attorney herein granted is a power coupled with an interest and shall be binding upon and inure to the benefit of the successors and assigns of the respective parties of this instrument.

NICHOLAS COUNTY REAL PROPERTY

1. Bentree Booster Station Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

Beginning at an iron pipe set, said iron pipe located on the southern right-of-way boundary of West Virginia State Route 16 situated approximately 900' north of mount of Laurel Creek into Open Fork and approximately 650' south of gas well No. 6 as shown on Map No. 1 of 11 showing survey boundary of the lines of former W. H. Hill and present J. W. Long Estate lands in Nicholas and Clay Counties. From said iron pipe; thence S 42° 02' 26" W 25.00' to an iron pipe set; thence S 47° 57' 34" E 25.00' to an iron pipe set; thence N 42° 02' 26" E 25.00' to an iron pipe set; thence N 47° 57' 34" W 25.00' to BEGINNING, containing 0.0143 acres, more or less.

The above-described Booster Station Site was acquired by the District from Dingess-Rum Coal Company by Quitclaim deed dated August 18, 1993, of record in the office of the Clerk of the County Commission of Nicholas County, West Virginia in Deed Book 353, Page 280.

(b) Encumbrances, reservations, exceptions and defects:

NOTE: the Bentree Booster Station Site is subject to the same encumbrances, reservations, exceptions and defects as described above with regard to the Bentree Tank Site.

2. Belva Tank Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

BEGINNING at a point, said point being referred to as the "Beginning Point for the Tank Site Boundary" in the description of the central line of a 20 foot easement for the construction and maintenance of a water pipeline and access road; Thence, N 1° 20' E, 53.32 feet to an iron pin (set); thence, N 67° 8'

E, 106.10 feet to an iron pin (set); thence, S 8° 7' E, 133.27 feet to an iron pin (set); thence, N 88° 40' W, 118.66 feet to an iron pin (set); thence, N 1° 20' E, 34.65 feet to the point of beginning, containing an area of 0.28 acre from the Wayne Cole property, as shown on a plat titled "Plat for the Gauley River Public Service District – Fayette, Nicholas, and Clay Counties, West Virginia, showing property and an easement from: Wayne Cole, Gauley District, Scale: 1" = 60', Date: June 7, 1984, Prepared by: BCM/Milam Engineering, Inc., Consulting Engineers, 1400 Ohio Avenue, Dunbar, West Virginia 25064."

The above-described property was acquired by the District from Thomas Wayne Cole by Order of the Circuit Court of Nicholas County, West Virginia, entered on July 28, 1988, in Civil Action No. 84-C-399, which said Order is of record in the aforesaid Clerk's office in Deed Book 325, Page 268.

(b) Encumbrances, reservations, exceptions and defects:

None

3. Dixie Booster Station Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

BEGINNING at an iron pipe set, said iron pipe located on the eastern right-of-way boundary of West Virginia State Toue (sic) 16, approximately 30' south of intersection of Route 16 and County Route 2. From said iron pipe; thence with Route 16 right-of-way S 00° 15' 00" E, 25.00' to an iron pipe set; thence leaving said right-of-way and through Vencill property, N 89° 45' 00" E 20.00' to an iron pipe set; thence continuing through Vencill property, N 00° 15' 00" W 25.00 to an iron pipe set; thence 89° 45' 00" W 20.00' to BEGINNING containing 0.011 acres, more or less.

The above-described property was acquired by the District from Frances L. Vencill by deed dated December 2, 1992, of record in the aforesaid Clerk's office in Deed Book 350, Page 657.

(b) Encumbrances, reservations, exceptions and defects:

The District's title to the above-described property is subject to the following reverter as set forth in the above-described deed:

It is the intention of the Grantee to use said property for a booster pump station for a water system. In the event the Grantee or its successors should fail to use said property for a proposed booster pump station, then said property shall revert to the Grantor or her heirs and assigns.

4. Beech Glen Booster Station Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

Beginning at a point which is the northwestern corner of the Christabel Lloyd Foreman property and the State Department of Highways right-of-way, which said point is S 70° E with the boundary of the Foreman property and the

Department of Highways 200 feet; thence from said point S 70° E 30 feet to a point in said highway right-of-way; thence S 20° W 30 feet to a point; thence N 70° W 30 feet to a point; thence N 20° E 30 feet to a point, and being shown on a map designated as Plat J-19 entitled "Map Showing Parcel To Be Conveyed From Christabel Lloyd Foreman to Gauley River Public Service District, Jefferson District, Nicholas County", prepared by Pentree, Inc., dated May, 1996, attached hereto and made a part of this deed.

The above-described parcel of land was acquired by the District from Christabel Lloyd Foreman by deed dated November 4, 1996, of record in the aforesaid Clerk's office in Deed Book 374, Page 807.

(b) Encumbrances, reservations, exceptions and defects:

- While the above-described deed is not designated a quitclaim deed, it does not contain any express warranties of title.

5. Swiss Tank Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

BEGINNING at an iron pipe set, said iron pipe being located on the western right-of-way boundary of West Virginia State Route 39 situated approximately 1.95 miles northeast of Swiss and 18 miles southwest of Summersville as shown on Map Showing Property to be Conveyed From Federal Coal Company to Gauley River Public Service District. From said iron pipe; thence leaving Route 39 right-of-way N 76° 24' 26" E 120.00' to an iron pipe set; thence N 13° 35' 34" W 175.00' to an iron pipe set; thence S 76° 24' 26" E 123.40' to an iron pipe set at Rt. 39 right-of-way; thence with Rt. 39 right-of-way S 10° 44' 55" W 68.47" to an iron pipe set; thence continuing with Rt. 39 right-of-way S 13° 35' 34" W 106.61' to BEGINNING, containing 0.48 acres, more or less.

The above-described parcel of land was acquired by the District from Federal Coal Company by deed dated September 15, 2000, of record in the aforesaid Clerk's office in Deed Book 406, Page 188.

(b) Encumbrances, reservations, exceptions and defects:

- The above-described deed contains the following reverter clause:

The parties hereto do expressly agree that the property conveyed herein shall be used by the Grantee for the construction, operation, and maintenance of a water tank, supply pipeline and appurtenances. Said tank, supply pipeline and appurtenances, or any replacements thereof, shall be used by the Grantee in the operation of Grantee's water distribution system. Should the Grantee, its successors or assigns, cease using the hereinabove described real estate in the operation of its water distribution system, or for purposes reasonably incidental thereto, for a period of three (3) years, the property shall revert to the Grantor, its successors or assigns and Grantee, its successors or assigns, will remove the tank, foundations, and supply pipeline without expense to the Grantor.

6. Twentymile Tank Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

> Beginning at an iron pin set along the Amherst Industries, Inc. property line, said iron pin being located at the calculated common corner of a parcel of real estate conveyed to H. Kellis Osborne and Linda K. Osbourne (Deed Book 321, page 229), a parcel of real estate conveyed to Larry Wayne Bird, (Deed Book 358, page 713 and Deed Book 336, page 200) and a parcel of real estate devised to Alta Marie Broughman under the Last Will and Testament of Thelma W. Broughman (Will Book 20, page 381); thence leaving the Amherst Industries, Inc. property line and through the Amherst Industries, Inc. property, N. 72° 15' 00" E., 100 feet to a set iron pin; thence continuing through Amherst Industries, Inc. property, S. 17° 45' 00" E., 120.00 feet to a set iron pin; thence continuing through Amherst Industries, Inc. property S. 72° 15' 00" W. 100.00 feet to a set iron pin in Alta Marie Broughman line; thence continuing with line common to Alta Marie Broughman and Amherst Industries, Inc. property, N. 17° 45' 00" W. 120.00 feet to the point of beginning, and containing 0.28 acres more or less.

The above-described parcel of land was acquired by the District from Amherst Industries, Inc. by deed dated October 14, 2004, of record in the aforesaid Clerk's office in Deed Book 425, Page 707.

(b) Encumbrances, reservations, exceptions and defects:

The conveyance of the above-described parcel of land is subject to any and all covenants, restrictions, conditions, reservations, prior mineral reservations, rights of way and easements set forth and contained in former deeds in the chain of title, together with any and all necessary rights incidental thereto, contained of record in the aforesaid Clerk's office.

7. Twentymile Booster Station Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

> Beginning at an iron pin set in the northerly right of way line of WV County Route 20, said iron pin being located 308 feet, more or less, along the northerly right of way line of WV County Route 20, in a northeasterly direction from a power pole numbered 296C20; thence leaving WV County Route 20 and running through the real estate of the parties of the first part, N. 42° 15' 08" W., 35.00 feet to a set iron pin; thence continuing through the property of the parties of the first part, N. 47° 55' 22" E., 55.00 feet to a set iron pin; thence continuing through the property of the parties of the first part S. 42° 15' 08" E., 35.00 feet to an iron pin set in the right of way line of WV County Route 20; thence with the right of way line WV County Route 20, S. 47° 55' 22" W., 55.00 feet to the place of beginning and containing 0.05 acres more or less.

The above-described property was acquired by the District from Southern Land Company Limited Partnership and Dickinson Properties Limited Partnership by deed dated May 13, 2005, of record in the aforesaid Clerk's office in Deed Book 426, Page 734.

(b) Encumbrances, reservations, exceptions and defects:

The property conveyed by the above-described deed is limited to the surface only of the said property and said conveyance is made subject to any and all covenants, restrictions, conditions, reservations, prior mineral reservations, rights of way and easements set forth and contained in former deeds in the chain of title, together with any and all necessary rights incidental thereto, contained of record in the aforesaid Clerk's office.

8. Little Elk Tank Site

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

> Beginning at a P.O.B. iron pin set, said iron pin being N 89° 39' 46" W 642.86' from a Referenced Gate Post and approx. 27' south of centerline of existing access road, as shown on the attached plat, titled Map Showing Property to be Conveyed from Southern Land Company and Dickinson Land Company, Limited Partner to Gauley River Public Service District. Thence leaving to be set P.O.B. capped rebar and through Southern Land Company and Dickinson Land Company, Limited Partner Property N 87° 14' 17" E 134.30' to be set capped rebar. Thence continuing through Southern Land Company and Dickinson Land Company, Limited property S 5° 03' 29" W 109.81' to set capped rebar. Thence continuing through Southern Land Company and Dickinson Land Company, Limited Partner property N 84° 56' 31" W 100.00' to set capped rebar. Thence continuing through Southern Land Company and Dickinson Land Company, Limited Partner property N 14° 47' 48" W 97.32' to the beginning. Containing .27 acres more or less.

The above-described property was acquired by the District from Southern Land Company Limited Partnership and Dickinson Properties Limited Partnership by deed dated October 27, 2005, of record in the aforesaid Clerk's office in Deed Book 429, Page 707.

(b) Encumbrances, reservations, exceptions and defects:

The property conveyed by the above-described deed is limited to the surface only of the said property and said conveyance is made subject to any and all covenants, restrictions, conditions, reservations, prior mineral reservations, rights of way and easements set forth and contained in former deeds in the chain of title, together with any and all necessary rights incidental thereto, contained of record in the aforesaid Clerk's office.

9. Summersville Tank Site

(a) Description:

That certain tract or parcel of land situate in Summersville District, Nicholas County, West Virginia, more particularly described as follows:

> BEGINNING at a capped 5/8 inch rebar set, said rebar denoted as "POINT A" on the attached plat and referenced as situate approximately N 46° 50' W, 1,313 feet from where a large sugar maple is called for at the southwest corner of the called 113 acre parent tract as described in Deed Book 56 at Page 214; thence through the lands of Flynn Coal & Lumber Limited Partnership the following: N 27° 33' 15" W, 80.00 feet to a capped 5/8 inch rebar set; thence N 62° 26' 45" E, 80.00 feet to a capped 5/8 inch rebar set and referenced as situate N 68° 24' 00" W, 45.84 feet from power pole # 40-141; thence S 27° 33' 15" E, 80.00 feet to a capped 5/8 inch rebar set; thence S 62° 26' 45" W, 80.00 feet to

the point of BEGINNING, and containing 0.147 acres as shown on a plat attached hereto and made a part of this description, and being a part of that same property conveyed by Margaret A. Pettigrew and S. S. Pettigrew, her husband, to Flynn Lumber Company, a corporation, (now Flynn Coal & Lumber Limited Partnership) on January 22, 1913 of record in Deed Book 56 at Page 214.

The above-described property was acquired by the District from Flynn Coal & Lumber Limited Partnership by deed dated May 8, 2009, of record in the aforesaid Clerk's office in Deed Book 454, Page 399.

(b) Encumbrances, reservations, exceptions and defects:

The property conveyed by the above-described deed is limited to the surface only of said property and said conveyance is subject to all exceptions, reservations, restrictions, covenants, terms, conditions and provisions contained or referred to in prior deeds in the chain of title to said property.

10. Jodie Tank Site

(a) Description:

That certain parcel of land and access right of way situate in Jefferson District, Nicholas County, West Virginia, as shown on a plat entitled, "Waterline Right-of-Way Easements and Access Road for Gauley River Public Service District", prepared by Pentree, Inc., dated May, 1996, and revised on March 8, 1997, which is described as follows:

Being a site for a storage tank known by the Public Service District as "Jodie Tank Site", as shown on said map and described as follows:

Beginning at an iron pipe S 85° E 70 feet to an iron pipe; thence S 05° W 70 feet to an iron pipe; thence N 85° W 70 feet to an iron pipe; thence N 5° 0' E 70 feet to the beginning as shown on said map.

There is further conveyed by the Grantors to the Grantee a right of way for access to said tank and tank site across a twenty foot wide access road over the existing paved roadway as shown on said map and further, a right of way as shown on said map from where the pavement ends to the tank site.

The above-described property was acquired by the District by the following deeds, all of which are of record in the aforesaid Clerk's office:

- Deed dated June 4, 1997, from T. C. Lands, Inc. and Larry Alan Deitz, of record in Deed Book 379, Page 248;
- Deed dated June 4, 1997, from Joseph W. Burneka, III, and James L. Burneka, of record in Deed Book 379, Page 253;
- Deed dated June 4, 1997, from Maxey Ann Tully, widow, of record in Deed Book 379, Page 256; and
- Deed dated June 4, 1997, from Roscoe Simmons and Letha Simmons, his wife; Charles Hodge and Marilyn Hodge, his wife; and James D. Hackney and Carolyn Hackney, formerly husband and wife, of record in Deed Book 379, Page 259.

(b) Encumbrances, reservations, exceptions and defects:

The above-described deed from T. C. Lands, Inc. and Larry Alan Deitz contains the following provisions:

The grant of the easement is subject to all existing rights of way or leases, including but not limited to an existing coal lease and any existing oil and gas leases and other exceptions, reservations, conditions, out conveyances, restrictions and easements contained in prior documents of record for the above described property insofar as the same are presently applicable and have not been released, abandoned or discharged by law or otherwise.

The Grantee shall indemnify and defend the Grantors against and save harmless from any and all claims by or on behalf of any person, firm, corporation or governmental agency arising from or growing out of or in connection with the Grantee's operations on or in or with respect to the premises whether by the Grantee's employees, its subcontractors, successors or assigns, including any calls, legal fees or other expenses incurred by the Grantors in defending such actions.

The Grantee shall carry and maintain at all times public liability insurance with a good solvent casualty insurance company with aggregate limits equal to One Million Dollars.

The Grantee does hereby covenant and agree that any and all contractors or subcontractors of the Grantee coming upon the said premises for its purposes in using this easement and tank site or tank shall carry workers' compensation, public liability, property damage, automotive, environmental and other appropriate insurance to cover all liability arising out of work on the premises.

The use of the right of way described herein, both as to motor vehicle access and waterline shall be for the purposes of the Grantee as a public utility supplying water to its customers. The said Grantee shall not grant to or allow anyone else other than their contractors, subcontractors, employees and agents to use said motor vehicle right of way or waterline without the express written permission of the Grantors herein.

11. PRV Station 2 (Summersville Project – Phase I)

(a) Description:

That certain parcel of land situated in Grant District, Nicholas County, West Virginia, such land being more particularly described as follows:

> BEGINNING at a capped 5/8 inch rebar in the northern line of County Route 19/16 (Bucks Garden Road), said rebar denoted as "POINT 'A'" on the attached plant and referenced as situate approximately N 69° 06' E, 271.3 feet from where a concrete monument is called set at the intersecting right-of-way of State Route 39 and County Route 19/16 and a corner of the called 129.98 acre parent tract; thence through the lands of Elaine T. Fuentes the following: N 20° 10' 20" W, 20.00 feet to a capped 5/8 inch rebar set; thence N 69° 49' 40" E, 20.00 feet to a capped 5/8 inch rebar set; thence S 20° 10' 20" E, 20.00 feet to a capped 5/8 inch rebar set in the northern line of County Route 19/16; thence with the northern line of said Route 19/16 S 69° 49' 40" W, 20.00 feet to the point of BEGINNING, and containing 400 square feet.

The above-described property was acquired by the District from Ernest Fuentes by deed dated August 31, 2010, of record in the Nicholas County Clerk's office in Deed Book 463, Page 749.

(b) Encumbrances, reservations, exceptions and defects:

1. Sally Y. Thornton and Ima M. Young obtained title to various tracts of land, which are parent tracts to the Subject Property, upon the death of their mother, Nancy Jane Young, on November 19, 1925, and upon the death of their father, David S. Young, in 1943, according to recitals in various deeds of record in the said

Clerk's office. We have been unable to locate any estate records in regard to the said Nancy Jane Young or David S. Young. We therefore make our opinions subject to the correctness of the assumption that Nancy Jane Young died intestate in Nicholas County on November 19, 1925, and that David S. Young died intestate in 1943, leaving Sally Y. Thornton and Ima M. Young as their sole legal heirs.

2. Ima M. Young, who held an interest in the parent tracts to the Subject Property, died testate on or before May 1, 1948, and by her Last Will and Testament, of record in said Clerk's office in Will Book 4, page 113, devised all her property to Sally Y. Thornton, her sister, as Guardian for Benjamin L. Young, aged 14, and Franklin D. Young, aged 10. Later, by various deeds of record in said Clerk's office, both Benjamin L. Young and Franklin D. Young convey interests in the property devised to them by their mother. However, we were unable to locate a court order or other document of record indicating that the Guardianship had terminated and the custodial interest of Sally Thornton had been extinguished. We therefore make our opinions subject to the correctness of the assumption that a court of appropriate jurisdiction, in accordance with applicable law, and without any substantive or procedural irregularities, made such orders as necessary to terminate the Guardianship of Benjamin and Franklin Young upon their reaching their ages of majority.

3. By deeds dated March 16, 1950, and recorded in said Clerk's office in Deed Book 132, page 200 and page 205, Sally Y. Thornton, in her own right and as Guardian for Benjamin L. Young and Franklin D. Young, and T. O. Thornton reserved unto themselves the right to construct and maintain an oil and gas pipeline under the property conveyed to the New York Central Railroad Company.

4. While we found various utility rights of way affecting the tract owned by Elaine T. Fuentes, none appear to affect the Subject Property, and we have not included the same herein.

12. Office Property

(a) Description:

That certain tract or parcel of land situate in Jefferson District, Nicholas County, West Virginia, more particularly described as follows:

> Beginning near the intersection of West Virginia Route 39 and Route 19/25 containing an inactive sidetrack right-of-way which begins at the junction of said inactive sidetrack and Consolidated Rail Corporation's active track right-of-way at station 18815+50.9, thence leaving said active right-of-way and extending in an easterly direction a distance of approximately 4,226.20 feet at a width of 60 feet, consisting of 5.821 acres, more or less, as shown on Toledo and Ohio Central Railway Right-of-Way and Track Map No. V-313/23; as shown, but not labeled, on State Tax Map 26 and as shown, in part, on Plat 4R prepared by Pentree Inc. and attached as Exhibit D.

The above-described property was acquired by the District from Consolidated Rail Corporation aka Conrail by Order of the United States District Court for the Southern District of West Virginia, entered on January 26, 1998, in Civil Action No. 2:97-0713, which said Order is of record in the aforesaid Clerk's office in Deed Book 383, Page 108.

(b) Encumbrances, reservations, exceptions and defects:

The above-described order grants the District all of Conrail's right, title and interest in the described property. We have not examined the underlying source of Conrail's title to said property and, therefore, express no opinion regarding the same.

FAYETTE COUNTY REAL PROPERTY

1. Brownsville Booster Site

(a) Description:

That certain tract or parcel of land situate in Valley District, Fayette County, West Virginia, more particularly described as follows:

> Beginning at an iron pipe set on northern right-of-way boundary of West Virginia State Route 39 at southern most corner of Russell Deering's property; thence with common line between Russell Deering and Dan Berry N 57° 52' 00" N 20.00' to an iron pipe set; thence leaving said Dan Berry line and through Russell Deering's property N 37° 37' 00" E 26' to an iron pipe set; thence continuing through Russell Deering's property S 57° 52' 00" E 20' to an iron pipe set in northern right-of-way boundary of West Virginia State Route 39; thence with said right-of-way S 87° 37' 00" W 25' to BEGINNING containing 0.011 acres, more or less.

The above-described property was acquired by the District from Russell Deering and Elizabeth Deering, his wife, by deed dated March 12, 1993, of record in the Fayette County Clerk's office in Deed Book 502, Page 732.

(b) Encumbrances, reservations, exceptions and defects:

None

2. Smith Branch Booster Station and Tank Site

(a) Description:

That certain tract or parcel of land situate in Valley District, Fayette County, West Virginia, more particularly described as follows:

> BEGINNING at an iron pipe set, said iron pipe being S 38° 09' 28" W 529.93' from set stone 156 and S 58° 27' 57" W 269.37' from set stone 157. (Set stones 156 and 157 located in the field as shown on the Cannelton Industries, Inc., Kanawha Division properties Map #13, Dated December 1980.) From said iron pipe N 90° 00' 00" W 100.00' to an iron pipe set, S 00° 00' 00" E 100.00' to an iron pipe set at edge of 20' right-of-way easement, N 90° 00' 00" E 100.00' to an iron pipe set; thence crossing 20' right-of-way easement N 00° 00' 00" E 100.00' to BEGINNING, containing 0.23 acres, more or less.

3. Mount Olive Tank Site

(a) Description:

That certain tract or parcel of land situate in Valley District, Fayette County, West Virginia, more particularly described as follows:

> Beginning at an iron pipe set, said iron pipe being N 24° 57' 59" E 3,761.57' from set stone 156. (Set stone 156 located in the field as shown on the Cannelton Industries, Inc., Kanawha Division properties Map #13, Dated December 1980.) From said iron pipe N 34° 46' 58" E 150.00' to an iron pipe set, N 55° 13' 02" W 140.00' to an iron pipe set, S 34° 46' 58" W 150.00' to an iron pipe set, thence crossing 20' right-of-way easement S 55° 13' 02" E 140.00' to BEGINNING, containing 0.48 acres, more or less.

The above-described Smith Branch Booster Station and Tank Site and Mount Olive Tank Site were acquired by the District from Cannelton Industries, Inc., by deed dated March 12, 1993, of record in the Fayette County Clerk's office in Deed Book 502, Page 734.

(b) Encumbrances, reservations, exceptions and defects:

The grantor in the above-described deed reserved all coal, oil, gas and other minerals in and under the tracts of land conveyed, together with the right of removal of same; provided that in the removal of said coal, oil, gas or other minerals, no opening or entry for removal of the same shall be made on the surface of the land conveyed.