

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

Date of Closing: June 12, 1986

BOND TRANSCRIPT

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KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
SEWER REVENUE BONDS, SERIES 1986 A AND SERIES 1986 B

BOND RESOLUTION

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KINGMILL VALLEY PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 A AND NOT MORE THAN \$100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 B, 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 KINGMILL VALLEY PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any orders or resolutions supplemental hereto, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. Kingmill Valley Public Service District (the "Issuer") is a public service district and public corporation of the State of West Virginia in Marion County of said State.

B. The Issuer has undertaken the acquisition and construction of public sewage collection and transportation facilities (the "Project") which constitute properties for the collection of liquid or solid wastes, sewage or industrial wastes

(the Project, and any additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$5,656,378, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Issuer.

C. The Issuer has heretofore issued its Sewerage System Construction Notes, Series 1983, dated December 15, 1983 (the "Notes"), in the aggregate principal amount of \$2,875,000 pursuant to a bond and notes resolution adopted November 29, 1983, a supplemental resolution adopted November 29, 1983, and a second supplemental and amendatory resolution adopted December 21, 1983 (collectively, the "Prior Resolution"), to finance costs of construction and acquisition of the Project pending receipt of certain grant moneys and issuance of the within-described Bonds. The Issuer has encountered construction difficulties with respect to the Project and has not received certain EPA Grant proceeds as quickly and in the amounts as anticipated which requires that the Issuer borrow the sum of not to exceed \$1,200,000 to finance that portion of the Issuer's local share of the Costs of the Project, in addition to the amount necessary to pay that portion of the principal of the Notes not payable from Grant Receipts, investment earnings and other sources.

D. The estimated revenues to be derived in each year after the enactment hereof from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds (as hereinafter defined) and all Sinking Fund, Reserve Account and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than \$1,200,000 in two series, being the Series 1986 A Bonds in the aggregate principal amount of not more than \$1,100,000 and the Series 1986 B Bonds in the aggregate principal amount of not more than \$100,000 (collectively, the "Bonds"), to pay, at the maturity thereof, a portion of the Notes representing the "local share" of the Issuer of the Costs, additional Costs not otherwise provided for and costs of issuance of the Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes and the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; engineering, and legal expenses; expenses for estimates of cost 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incident to the financing herein authorized, the construction or acquisition 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 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

G. The Issuer has heretofore entered into a loan agreement dated March 25, 1985, between the Issuer and the Authority, whereby the Authority had agreed, subject to the conditions stated therein, to loan to the Issuer a sum not to exceed \$873,000. However, because of the need for local share funding in excess of that approved in such loan agreement, the Issuer hereby determines that it is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a new loan agreement and a supplemental loan agreement, both dated May 15, 1986 (collectively, the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority. The Loan Agreement shall supercede the previous loan agreement which shall be of no further force or effect.

H. Upon deposit of proceeds of the Bonds as described herein, there will not be outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien and source of and security for payment. The Series 1986 B Bonds shall be junior and subordinate to the Series 1986 A Bonds, as set forth herein.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the 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 and approval of this financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Bond Legislation 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 Bond Legislation 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.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

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

"Bonds" means the Original Bonds and any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Governing Body, or any temporary Chairman duly appointed by the Governing Body.

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

"Consulting Engineers" means Bernard G. Sampson Company, Inc., Fairmont, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02(E) hereof to be a part of the cost of construction and acquisition of the Project.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

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

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

"Governing Body" means the public service board of the Issuer, consisting of 3 members, as may hereafter be constituted.

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

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of the Notes; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined,

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture between the Issuer and the Trustee dated as of December 15, 1983, relating to the Notes and all supplements or amendments thereto.

"Independent Certified Public Accountants" shall mean 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 Kingmill Valley Public Service District, in Marion County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the loan agreement and the supplemental loan agreement, both dated May 15, 1986, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized by, this Resolution.

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

"Notes" means the \$2,875,000 in aggregate principal amount of Sewerage System Construction Notes, Series 1983, heretofore issued by the Issuer to pay Costs of Project pending receipt of the Grant Receipts and proceeds of the Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses

of the Authority, fiscal agents, the Registrar and Paying Agent (all 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 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.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than \$1,008,657 in aggregate principal amount of Series 1986 A Bonds and not more than \$81,343 in aggregate principal amount of Series 1986 B Bonds, issued for the purpose of paying a portion of the principal of the Notes, additional Costs of the Project and for such other purposes permitted hereby and authorized by the Bond Legislation.

"Other Grants" means collectively, the WDA Grant, together with any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being 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, with interest to the date of maturity, shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

"Paying Agent" means the 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.

"Program" means 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.

"Project" means the acquisition and construction of a sewage collection and transportation system, including, but not limited to, mains, pipelines, tanks and pumps and all necessary appurtenances.

"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 State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended, provided that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments described in paragraphs (a) through (g), above.

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

"Registrar" means the Bond Registrar.

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

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

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

"Series 1986 A Bonds" or "Series A Bonds" means the not more than \$1,008,657 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 A, of the Issuer.

"Series 1986 A Bonds Reserve Account" means the Series 1986 A Bonds Reserve Account established in the Series 1986 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1986 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 1986 A Bonds in any Fiscal Year.

"Series 1986 A Bonds Sinking Fund" means the Series 1986 A Sinking Fund established by Section 5.02 hereof.

"Series 1986 B Bonds" or "Series B Bonds" means the not more than \$81,343 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 B, of the Issuer.

"Series 1986 B Bonds Reserve Account" means the Series 1986 B Bonds Reserve Account established in the Series 1986 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1986 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1986 B Bonds in any Fiscal Year.

"Series 1986 B Bonds Sinking Fund" means the Series 1986 B Bonds Sinking Fund established by Section 5.02 hereof.

"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 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.

"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, including the Renewal and Replacement Fund and the Reserve Account.

"System" means the complete properties of the Issuer for the collection and transportation of liquid or solid wastes, sewage or industrial wastes, in its entirety or any integral part thereof, and shall include the existing facilities, the Project and any further additions, betterments and improvements thereto hereafter constructed or acquired for said system from any sources whatsoever.

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

"Trustee" means the trustee named in the Indenture.

"WDA Grant" means the grant from the West Virginia Water Development Authority pursuant to the commitment therefor.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION  
AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby ratified the construction and acquisition of the Project, at an estimated cost of \$5,656,378, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

### ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purpose of paying a portion of the Notes at their maturity, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than \$1,200,000. Said Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1986 A," in the aggregate principal amount of not more than \$1,100,000, and "Sewer Revenue Bonds, Series 1986 B," in the aggregate principal amount of not more than \$100,000, the exact amount of each Series to be set forth in the Supplemental Resolution, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Proceeds of the Bonds remaining after capitalization of interest, if any, and payment of the costs of issuance thereof and related costs shall, to the extent necessary to defease the Notes, be deposited in the Notes Debt Service Fund established by Section 4.01 of the Indenture, and thereafter, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding 12% per annum, or such other rate as shall then be the legal maximum, payable semiannually 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. The Bonds shall be payable as to principal at the office of the Commission, through a Paying Agent or Paying Agents, if any, selected by the original purchaser or purchasers thereof, 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 Bonds 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 Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered 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, 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. The registered Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed 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 Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms 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 Bond Legislation. 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 of West Virginia, 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 of West Virginia, 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 registered 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 Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. 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 obliged to make any such exchange or transfer of Bonds during the 15 days 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.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In any case any Bond shall become mutilated or be destroyed, stolen or lost, the issuer may, in its discretion, issue, and the 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. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Series 1986 B Bonds to be Junior and Subordinate to Series 1986 A Bonds. The payment of the debt service of all the Series 1986 A 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 Series 1986 B 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 Holders of the Series 1986 A 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 respective Sinking Funds and the Reserve Accounts therein hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Series 1986 A Bonds and the Series 1986 B Bonds, respectively, shall be in substantially the following forms, 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 1986 A Bond]

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
SEWER REVENUE BOND, SERIES 1986 A

No. AR- \_\_\_\_\_

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

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion County of said State, (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority") or registered assigns the sum of \_\_\_\_\_ (\$ \_\_\_\_\_), 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 set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 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 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"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (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 the 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 upon the terms and conditions prescribed by, and otherwise in compliance with the Loan Agreement between the Issuer and the Authority, dated June 12, 1986.

This Bond is issued (i) to refund and pay a portion of the Sewerage System Construction Notes, Series 1983, of the Issuer (the

"Notes") issue to finance part of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project; and (iii) 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June, 1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued contemporaneously with the Sewer Revenue Bonds, Series 1986 B, of the Issuer (the "Series 1986 B Bonds") issued in the aggregate principal amount of \$                    , which Series 1986 B Bonds are junior and subordinate with respect to lien and sources of and security for payment to the Bonds of this series (the "Bonds").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1986 A Bonds Reserve Account"), 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 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 1986 A Bonds Reserve Account and unexpended Bond proceeds. 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 amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the Series 1986 B Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1986 B Bonds,

provided however, that so long as there exists in the Series 1986 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year, and in the reserve account established for the Series 1986 B Bonds or any other obligations outstanding prior to or on a parity with the Bonds or Series 1986 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such 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.

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 Notes and Costs of the Project 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.

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 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 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 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated \_\_\_\_\_, 1986.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

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

KANAWHA VALLEY BANK, N.A.,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer.

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 Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

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

\_\_\_\_\_

[Form of Series 1986 B Bond]

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
SEWER REVENUE BOND, SERIES 1986 B

No. BR- \_\_\_\_\_

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

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion County of said State, (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority") or registered assigns the sum of \_\_\_\_\_ (\$ \_\_\_\_\_), in annual 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, without 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 as paying agent (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and upon the terms and conditions prescribed by and otherwise in compliance with the Supplemental Loan Agreement between the Issuer and the Authority, dated June 12, 1986.

This Bond is issued (i) to refund and pay a portion of the Sewerage System Construction Notes, Series 1983, of the Issuer (the "Notes") issued to finance part of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project; and (iii) 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June,

1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1986 A Bonds herein described, moneys in the Reserve Account created under the Bond Legislation for the Bonds of this Series (the "Series 1986 B Bonds Reserve Account"), and unexpended proceeds of the Bonds of this Series (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 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 1986 B Bonds Reserve Account and unexpended Bond proceeds. 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 fiscal year equal to at least 115% of the amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the 1986 Series A Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the 1986 Series A Bonds or the Bonds, provided however, that so long as there exists in the Series 1986 B Bonds Reserve Account and the reserve account established for the Series A Bonds amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the 1986 Series B Bonds in any fiscal year and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books of Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as 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, shall be applied solely to the payment of the Notes and the Costs of the Project 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 owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1986 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1986 A, OF THE ISSUER (THE "SERIES 1986 A BONDS"), ISSUED CONCURRENTLY HERewith AND DESCRIBED IN THE BOND LEGISLATION.

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 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 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated \_\_\_\_\_, 1986.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

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

KANAWHA VALLEY BANK, N.A.,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

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 Issuer with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_.

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

Section 3.10. Sale of Original Bonds; Execution of Loan Agreement with Authority. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the forms attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority.

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 and shall be held by, the Depository Bank:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund; and
- (3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

- (1) Series 1986 A Bonds Sinking Fund;

Within the Series 1986 A Bonds Sinking Fund, the Series 1986 A Bonds Reserve Account.

- (2) Series 1986 B Bonds Sinking Fund;

Within the Series 1986 B Bonds Sinking Fund the Series 1986 B 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.

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

- (2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1986 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1986 A Bonds on the next ensuing

semiannual interest payment date, less any earnings transferred from the Series 1986 A Bonds Reserve Account for the purpose of making interest payments and investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making interest payments on the Series 1986 A Bonds; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1986 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1986 A Bonds on the next ensuing principal payment date, less any earnings transferred from the Series 1986 A Bonds Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 A Bonds; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1986 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1986 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1986 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 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 1986 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer 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 System, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments credited to the Series 1986 A 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 deficiency in the Series 1986 A Bonds 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 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1986 B Bonds on the next ensuing principal payment date, less any earnings transferred from the Series 1986 B Bonds Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Series 1986 B Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 B Bonds.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1986 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1986 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1986 B Bonds Reserve Requirement.

Moneys in the Series 1986 A Bonds Sinking Fund and the Series 1986 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1986 A Bonds Reserve Account and the Series 1986 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1986 A Bonds Reserve Account and the Series 1986 B Bonds Reserve Account shall be transferred, not less than once each year, to the respective Sinking Fund and applied in full to the next ensuing principal payment due on the respective Series of Bonds.

Any withdrawals from the Series 1986 A Bonds Reserve Account which result in a reduction in the balance of the Series 1986 A Bonds Reserve Account to below the Series 1986 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1986 A Bonds Sinking Fund for payment of debt service on the Bonds have been made in full.

Any withdrawals from the Series 1986 B Bonds Reserve Account which result in a reduction in the balance of the Series 1986 B Bonds Reserve Account to below the Series 1986 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1986 A and Series 1986 B Bonds Sinking Funds and the Renewal and Replacement Fund have been made in full.

As and when additional Bonds ranking on a parity with the Original 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 maximum provided and required to be paid into the respective Sinking Funds in any Fiscal Year for account of all the Original Bonds of such series, including such additional Original Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the several Sinking Funds or into the Reserve Accounts therein when the aggregate amount of funds in all such Sinking Funds and said Reserve Accounts are at least equal to the aggregate principal amount of and interest due to maturity on the respective Bonds then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Funds created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the 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 Bond Legislation.

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Funds, including the 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 therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

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 said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein, and the Renewal and Replacement Fund 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 Paying Agent or the Depository Bank, on such dates as the Commission, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be

necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. 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.

E. 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.

F. All remittances made by the Issuer to the Commission 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.

H. All Tap Fees shall be deposited by the Issuer, as received, in the bond Construction Trust Fund, and, following completion of the Project shall be deposited in the Revenue Fund and may be used for any lawful purpose.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended 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 proceeds, which together with other moneys in the Notes Debt Service Fund established pursuant to the Indenture, is sufficient to pay the entire principal amount of and interest accrued on the Notes at the maturity thereof shall first be deposited with the Trustee in said Notes Debt Service Fund.

B. The remaining moneys, if any, derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

C. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Bond Construction Trust Fund, except for the costs of issuance thereof which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(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 then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in qualified investments at the direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series A Bonds Reserve Account.

## ARTICLE VII

### COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the 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 Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power 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 Series 1986 A 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 and payment of the debt service of the Series 1986 B 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 Holders of the Series 1986 A Bonds, all to the extent necessary to make the payments required under Section 5.03 of this Resolution. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the attendant Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided therein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the Order of the

Public Service Commission of West Virginia entered November 8, 1983  
(Case No. 83-342-S-CM).

Section 7.05. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds established therefor, and, in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, 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 upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall, with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at

prices not greater than the par value thereof plus 3% of such par value or otherwise, shall be deposited in the Renewal and Replacement Fund. Such payment 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 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 the Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the 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 Bonds; provided, however, that additional Bonds on a parity with the Series 1986 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the 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 and source of and security for payment from such revenues and in all other respects, to both the Series 1986 A Bonds and the Series 1986 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the 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 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 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 Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the

issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued which shall be payable out of the revenues of the System prior to or on a parity with the Series 1986 A Bonds. All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1986 B Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, 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, 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 on the following:

- (A) The Bonds then Outstanding;
- (B) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding;
- (C) The Parity Bonds then proposed to be issued; and
- (D) Any other obligations secured by or payable from the Net Revenues prior to the Series B Bonds.

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 enacted by the Issuer, the period for appeal of which has 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 Engineers, 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 Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All such Parity Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Parity Bond of one series over any other Parity 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.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental 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 Series 1986 A Bonds and the Series 1986 B 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 either the Series 1986 A Bonds or the Series 1986 B 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.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds respectively on parity with the Series A Bonds and the Series B Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted on the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07.

Section 7.08. 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 Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Consulting Engineers, the Trustee and the Authority, 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, 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 with respect to said Bonds 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 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 file said report with the Authority, or any other original purchaser of the Bonds.

Section 7.09. 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 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 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchasers thereof shall require. 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 Gross Revenues, (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit in the respective Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other

obligations secured by or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated 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 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 the Consulting Engineers 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 to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her 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 Holder of any Bonds or anyone acting for and in behalf of such Holder.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. 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 the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and

regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 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 until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the water system, if then owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of either system until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid.

Section 7.13. 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. 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 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily carried 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, 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 said 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 during construction of the Project in the full insurable value thereof.

(B) 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 \$100,000 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.

(C) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

B. 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.

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods

approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.17. Statutory Mortgage Lien. For the further protection of the Holders of the 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 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 Series 1986 A Bonds shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds.

## ARTICLE VIII

### INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation or the Indenture, 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 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 (except for transfers permitted hereunder), 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. The Commission, the Depository Bank, 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 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.

Section 8.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Bond Commission and the Trustee that they shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer 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 (or any successor provision), and an Authorized Officer shall deliver his certificate, based upon this covenant, with regard thereto to the purchaser of the Original Bonds.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. 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; or

(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 Bond Legislation, any supplemental resolution, or in 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 Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder 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 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Holders of the Series 1986 B Bonds shall be subject to those of the Holders of the Series 1986 A Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act,

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

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

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 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 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, assign, mortgage or otherwise dispose of any assets of the System.

## ARTICLE X

### DEFEASANCE

Section 10.01. Defeasance of Series 1986 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1986 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series A Bonds only, 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 1986 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 A 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of and interest on such Series 1986 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1986 A 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 and interest due and to become due on said Series 1986 A 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 purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1986 A 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 and interest to become due on said Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or 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.

Section 10.02. Defeasance of Series 1986 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1986 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series B Bonds only, 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 1986 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 B 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of such Series 1986 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1986 B 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 Series 1986 B 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 purpose other than, and shall be held in trust for, the payment of the principal installments of said Series 1986 B 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 Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or 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 XI

### MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% 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 funds herein respectively pledged therefor without the consent of the respective 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.

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 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 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. Amendments to Maintain Tax Exemption. The Issuer hereby covenants to make any amendment or supplements to this Resolution to enable the interest on the Bonds to be and remain exempt from federal income taxation, and to preserve and maintain such tax exemption until the maturity or redemption thereof without further consent of the Holders of the Bonds.

Section 11.06. Conflicting Provisions Repealed. All orders, indentures, or resolutions and or parts thereof in conflict

with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 11.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment 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 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 11.08. Public Notice of Proposed Financing. Prior to adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation within the boundaries of Kingmill Valley Public Service District, a Class II legal advertisement stating:

(a) The respective maximum amounts of the Bonds to be issued;

(b) The respective maximum interest rates and terms of the Bonds originally authorized hereby;

(c) The Project to be acquired or constructed and the cost of the same;

(d) The anticipated rates which will be charged by the Issuer; and

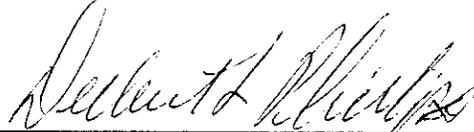
(e) The fact that a form is available in the office of the Clerk of The County Commission of Marion County and in the office of the Issuer for residents of that portion of the District which will be served by the Project who are registered voters to sign indicating their opposition to the Issuer's borrowing money or issuing the Bonds or the Notes originally authorized hereby, as the case may be. The Secretary of the Governing Body shall cause such form to be provided to said county clerk.

The Secretary of the Governing Body shall have also caused to be posted in conspicuous places throughout that portion of Kingmill Valley Public Service District which will be served by the

Project signs measuring not less than 8 1/2 inches in width and 11 inches in length which include the same information as required in the Class II legal advertisement set forth above.

Section 11.09. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 10th day of June, 1986.



Chairman, Public Service Board



Member, Public Service Board



Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of Kingmill Valley Public Service District on this 10th day of June, 1986.

[SEAL]

  
Secretary, Public Service Board

06/03/86  
KIMI2-A

"EXHIBIT A"



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

SUPPLEMENTAL BOND RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1986 A AND SERIES 1986 B, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the public service board (the "Governing Body") of KINGMILL VALLEY PUBLIC SERVICE DISTRICT (the "Issuer") has duly and officially adopted a resolution, effective June 10, 1986 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 A AND NOT MORE THAN \$100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 B, 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 Bond Resolution provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount of not to exceed \$1,200,000, to be issued in two series, the Series 1986 A Bonds to be in an aggregate principal

amount of not more than \$1,100,000 (the "Series 1986 A Bonds") and the Series 1986 B Bonds to be in an aggregate principal amount of not more than \$100,000 (the "Series 1986 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series A Bonds dated May 15, 1986, and a supplemental loan agreement relating to the Series B Bonds dated May 15, 1986 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, 1931, as amended, Chapter 16, Article 13A (the "Act"); and in the Bond Resolution, it is provided that the maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the 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 bond resolution (the "Supplemental Bond Resolution") be adopted and that the Loan Agreement be entered into by the Issuer, that the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates 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 KINGMILL VALLEY PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Bond Resolution is adopted and there are hereby authorized and ordered to be issued:

(A) The Sewer Revenue Bonds, Series 1986 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$1,008,657. The Series 1986 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall bear interest at the rate of 9.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1986, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise as provided in and otherwise in

compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1986 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$81,343. The Series 1986 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve and accept the Loan Agreement copies of which are incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement dated as of June 12, 1986, by and between the Issuer and Kanawha Valley Bank, N.A., in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent for the Bonds.

Section 6. The Issuer does hereby appoint Community Bank and Trust, N.A., Fairmont, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. These shall be no interest capitalized on the Bonds.

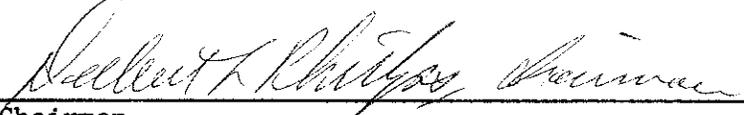
Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about June 12, 1986, to the Authority pursuant to the Loan Agreement.

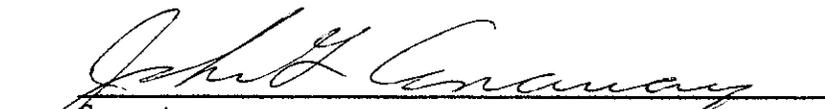
Section 9. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 10. This Supplemental Bond Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of June, 1986.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

  
Chairman

  
Secretary

06/03/86  
KIM11-C



RECEIVED

MAY 16 1986

LOAN AGREEMENT

WATER DEVELOPMENT AUTHORITY

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency")

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a general resolution adopted by the Authority on May 22, 1985 (the "General Resolution"), as supplemented, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development loan program (the "Program") as hereinafter set forth.

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

## ARTICLE I

### Definitions

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

1.2 "Consulting Engineers" means the consulting engineer designated in the Application and any successor thereto.

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

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

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

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

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

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

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

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

## ARTICLE II

### The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

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

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

2.6 The Governmental Agency agrees that it will permit the Authority and its agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.

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

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

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

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

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

### ARTICLE III

#### Conditions to Loan; Issuance of Local Bonds

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

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

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

(c) The Governmental Agency shall have received bids for the construction of the Project which are in an amount

and otherwise compatible with the plan of financing described in the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Local Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel, to such effect;

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

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

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make

the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than five (5) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not execute this Loan Agreement unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

#### ARTICLE IV

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

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4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official

action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

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

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

(iv) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the

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

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System;

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

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

(xiv) That the proceeds of the Local Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund on which the owner of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs); and

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency shall not authorize redemption of any Local Bonds by it without the written consent of the Authority and otherwise in compliance with this Loan Agreement.

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

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

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

4.4 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, at the rate or rates per annum set forth on

Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses and fees paid to the trustee and paying agents for the water development revenue bonds. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.7 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

#### ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as

set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

## ARTICLE VI

### Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

6.2 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to evidence the Governmental Agency's obligation to repay to the Authority any grant received by the Governmental Agency from the Authority in excess of the amount

to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority. Also at the option of the Authority, the Governmental Agency may issue and sell to the Authority additional, subordinate bonds for such purposes as may be acceptable to the Authority.

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

## ARTICLE VII

### Miscellaneous

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

7.2 Schedules X, Y and Z shall be attached to this Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

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

7.4 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

(ii) termination by the Authority pursuant to Section 6.3 hereof; or

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Governmental Agency, but this Loan Agreement shall not be binding on the Authority until executed by it.

Kingmill Valley Public Service District  
[Proper Name of Governmental Agency]

(SEAL)

By

Its

Richard Phillips  
Chairman

Attest:

Date:

MAY 15, 1986 *gjc*

*Bornstedt*  
Its Project Coordinator

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

(SEAL)

By

*Wesley L. Ramsey*  
Vice Chairman  
Water Development Board

Attest:

Date:

June 12, 1986

*Daniel B. Goshorn*  
Secretary-Treasurer

TABLE II

KINGMILL VALLEY PSD  
Analysis of 7.00% Borrowing Cost for Local Issuer

-----1985 Series A Bonds-----				
Period Ending 10/1	Coupon	Principal	Interest	Debt Service
1986	9.75%	0.00	29,776.40	29,776.40
1987	9.75%	2,683.00	98,344.06	101,027.06
1988	9.75%	2,945.00	98,082.47	101,027.47
1989	9.75%	3,232.00	97,795.33	101,027.33
1990	9.75%	3,547.00	97,480.21	101,027.21
1991	9.75%	3,893.00	97,134.38	101,027.38
1992	9.75%	4,273.00	96,754.81	101,027.81
1993	9.75%	4,689.00	96,338.19	101,027.19
1994	9.75%	5,146.00	95,881.01	101,027.01
1995	9.75%	5,648.00	95,379.28	101,027.28
1996	9.75%	6,199.00	94,828.60	101,027.60
1997	9.75%	6,803.00	94,224.20	101,027.20
1998	9.75%	7,466.00	93,560.90	101,026.90
1999	9.75%	8,194.00	92,832.97	101,026.97
2000	9.75%	8,993.00	92,034.05	101,027.05
2001	9.75%	9,870.00	91,157.24	101,027.24
2002	9.75%	10,833.00	90,194.91	101,027.91
2003	9.75%	11,889.00	89,138.69	101,027.69
2004	9.75%	13,048.00	87,979.52	101,027.52
2005	9.75%	14,320.00	86,707.34	101,027.34
2006	9.75%	15,716.00	85,311.14	101,027.14
2007	9.75%	17,249.00	83,778.83	101,027.83
2008	9.75%	18,930.00	82,097.05	101,027.05
2009	9.75%	20,776.00	80,251.37	101,027.37
2010	9.75%	22,802.00	78,225.71	101,027.71
2011	9.75%	25,025.00	76,002.52	101,027.52
2012	9.75%	27,465.00	73,562.58	101,027.58
2013	9.75%	30,143.00	70,884.74	101,027.74
2014	9.75%	33,081.00	67,945.80	101,026.80
2015	9.75%	36,307.00	64,720.40	101,027.40
2016	9.75%	39,847.00	61,180.47	101,027.47
2017	9.75%	43,732.00	57,295.39	101,027.39
2018	9.75%	47,996.00	53,031.52	101,027.52
2019	9.75%	52,675.00	48,351.91	101,026.91
2020	9.75%	57,811.00	43,216.10	101,027.10
2021	9.75%	63,448.00	37,579.52	101,027.52
2022	9.75%	69,634.00	31,393.34	101,027.34
2023	9.75%	76,423.00	24,604.03	101,027.03
2024	9.75%	83,874.00	17,152.79	101,026.79
2025	9.75%	92,052.00	8,975.07	101,027.07
		1,008,657.00	2,961,184.84	3,969,841.84

Smith Barney, Harris Upham & Co.  
Incorporated

June 10, 1986

EXHIBIT A

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated \_\_\_\_\_, 19\_\_ (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated \_\_\_\_\_, 19\_\_ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$\_\_\_\_\_, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning \_\_\_\_\_ 1, 19\_\_, at the respective rate or rates and with principal payable in installments on October 1 in each of the years, all as follows:

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
-------------	--------------------	----------------------

The Local Bonds are issued for the purpose of \_\_\_\_\_ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which

the Local Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Local Bonds have been authorized by a bond \_\_\_\_\_ (the "Local Act") duly enacted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

3. The Governmental Agency is a duly organized and presently existing \_\_\_\_\_, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary \_\_\_\_\_ in connection with the issuance and sale of the Local Bonds.

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

[6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Local Bonds, as provided in the Local Act.]

7. The Local Bonds are, by statute, exempt \_\_\_\_\_, and under existing statutes and court decisions of the United

States of America, as presently written and applied, the interest on the Local Bonds is exempt from federal income taxation.

No opinion is given herein as to the enforceability of remedies with respect to the Local Bonds under any applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights.

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

Very truly yours,



RECEIVED

WDA-Supp. 5  
(November 1985)

MAY 16 1985

WATER DEVELOPMENT AUTHORITY

SUPPLEMENTAL LOAN AGREEMENT

THIS SUPPLEMENTAL LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds, including supplemental, subordinate revenue bonds, issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, on or prior to the date hereof, the Governmental Agency and the Authority entered a loan agreement with respect to the purchase by the Authority of certain Local Bonds of the Governmental Agency, all as more specifically described in Exhibit A attached hereto and incorporated herein by reference (the "Loan Agreement").

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act, and having available sufficient funds therefore, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of supplemental, subordinate revenue bonds of the Governmental Agency with certain available funds of the Authority (other than the proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a general resolution adopted by the Authority on May 22, 1985, as supplemented), subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's supplemental water development loan program (the "Supplemental Program") as hereinafter set forth.

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

## ARTICLE I

### Definitions; Loan Agreement

1.1 Capitalized terms used and not otherwise defined herein shall have the meanings respectively given them by the Loan Agreement.

1.2 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

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

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

1.5 "Supplemental Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, to evidence the Supplemental Loan and to be purchased by the Authority with certain available funds (other than the proceeds of its water development revenue bonds), the lien of which on the revenues of the System is junior, subordinate and inferior to that of the Local Bonds, all in accordance with the provisions of this Supplemental Loan Agreement.

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

1.7 This Supplemental Loan Agreement is supplemental to the Loan Agreement, the terms of which are incorporated herein by reference.

## ARTICLE II

### The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Department of Natural Resources (or in the process of preparation by such Director), has been approved by the West Virginia Department of Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all

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

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

2.6 The Governmental Agency agrees that it will permit the Authority and its agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof.

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

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

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

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Supplemental Loan Agreement.

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

### ARTICLE III

#### Conditions to Supplemental Loan; Issuance of Supplemental Bonds

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

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

(b) The Governmental Agency shall have authorized the issuance of and delivered to the Authority for purchase the Supplemental Bonds described in this Article III and in Article IV hereof and shall have delivered to the Authority for purchase the Local Bonds in accordance with the Loan Agreement;

(c) The Governmental Agency shall have received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the issuance of the Supplemental Bonds, construction of the Project and imposition of rates and charges and shall have taken any other action required for the imposition of such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel, to such effect;

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

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

3.2 Subject to the terms and provisions of this Supplemental Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Supplemental

Loan to the Governmental Agency and the Governmental Agency shall accept the Supplemental Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Supplemental Loan by purchasing the Supplemental Bonds in the principal amount and at the price set forth in Schedule X hereto. The Supplemental Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Supplemental Loan will be made only in conjunction with the Loan. The Supplemental Bond shall be delivered to the Authority, at the offices of the Authority, simultaneously with the delivery of the Local Bond to the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Supplemental Loan Agreement and the Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies under the conditions and in the manner described in the Loan Agreement. The Governmental Agency further understands and acknowledges that the Authority's obligation to make the Supplemental Loan is subject to the availability on the Date of Loan Closing of funds legally available therefor.

#### ARTICLE IV

Supplemental Bonds; Security for Supplemental Loan;  
Repayment of Supplemental Loan; No Interest on  
Supplemental Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Supplemental Loan, authorize the issuance of and issue the Supplemental Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and

incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

(i) That the Supplemental Bonds shall be secured by the revenues from the System, as more fully set forth in Schedules X and Y attached hereto, subject to the prior and senior security therefrom granted to the Local Bonds;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and 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 Local Bonds and on a parity with the Supplemental Bonds or, if the reserve accounts established for the payment of debt service on the Local Bonds (the "Reserve Account") and for the payment of debt service on the Supplemental Bonds (the "Supplemental Reserve Account") are funded (whether by Local Bond proceeds with respect to the Local Bonds, monthly deposits or otherwise), respectively, at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in any year (the "Reserve Requirement") or on the Supplemental Bonds in any year (the "Supplemental Reserve Requirement"), 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 Local Bonds and the Supplemental Bonds and any such prior or parity obligations;

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

(iv) That the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds and Supplemental Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

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

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System;

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant and shall submit the report of said audit to the Authority, which shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Supplemental Loan Agreement;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year;

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

(xiv) That the proceeds of the Supplemental Bonds, except for accrued interest and capitalized interest, if any, must be deposited in a construction fund on which the owner of the Supplemental Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs), provided that said construction fund may be the one established for the Local Bonds, which shall have a prior and senior lien thereon; and

(xv) That, as long as the Authority is the owner of any of the Supplemental Bonds, the Governmental Agency shall not authorize redemption of any Supplemental Bonds by it without the written consent of the Authority.

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

4.2 The Supplemental Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to the prior and senior security therefrom for the Local Bonds and to such reservations and exceptions as are

described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 The principal of the Supplemental Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto.

4.4 The Supplemental Loan shall not bear interest.

4.5 The Supplemental Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency.

4.6 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Supplemental Program, which administrative expenses shall be as determined by the Authority.

#### ARTICLE V

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

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

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds and the Supplemental Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency, hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Supplemental Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section

4.6 hereof, the amount of such default shall bear interest at the rate of five percent (5%) per annum, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

## ARTICLE VI

### Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render negatory such actions of the Authority in the due and prompt implementation of this Supplemental Loan Agreement.

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

## ARTICLE VII

### Miscellaneous

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

7.2 Schedules X, Y and Z shall be attached to this Supplemental Loan Agreement at the time of execution hereof by the Authority and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

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

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

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

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

7.7 By execution and delivery of this Supplemental Loan Agreement, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Supplemental Bonds to the Authority and that such obligation may be specifically

enforced or subject to a similar equitable remedy by the Authority.

7.8 This Supplemental Loan Agreement shall terminate upon the earlier of:

(i) termination by the Authority of the Loan Agreement pursuant to Subsections 7.8(i) or (ii) thereof;

(ii) termination by the Authority pursuant to Section 6.2 hereof; or

(iii) payment in full of the principal of the Supplemental Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Governmental Agency, but this Supplemental Loan Agreement shall not be binding on the Authority until executed by it.

Kingmill Valley Public Service District  
[Proper Name of Governmental Agency]

(SEAL)

By

Its

Deborah Phillips  
Chairman

Attest:

Date:

5-15-86

Donna Stott  
Its Project Coordinator

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

(SEAL)

By

David L. Ramsey  
Vice Chairman  
Water Development Board

Attest:

Date:

June 12, 1986

Samuel B. Zyzanski  
Secretary-Treasurer

TABLE III

KINGMILL VALLEY PSD  
 Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	Zero Coupon Bonds
1986	0.00
1987	2,086.02
1988	2,085.71
1989	2,085.71
1990	2,085.71
1991	2,085.71
1992	2,085.71
1993	2,085.71
1994	2,085.71
1995	2,085.71
1996	2,085.71
1997	2,085.71
1998	2,085.71
1999	2,085.71
2000	2,085.71
2001	2,085.71
2002	2,085.71
2003	2,085.71
2004	2,085.71
2005	2,085.71
2006	2,085.71
2007	2,085.71
2008	2,085.71
2009	2,085.71
2010	2,085.71
2011	2,085.71
2012	2,085.71
2013	2,085.71
2014	2,085.71
2015	2,085.71
2016	2,085.71
2017	2,085.71
2018	2,085.71
2019	2,085.71
2020	2,085.71
2021	2,085.71
2022	2,085.71
2023	2,085.71
2024	2,085.71
2025	2,085.71
	81,343.00

Smith Barney, Harris Upham & Co.  
 Incorporated

June 10, 1986

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated \_\_\_\_\_, 19\_\_ (the "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), and (ii) the issue of a series of supplemental, subordinate revenue bonds of the Governmental Agency, dated \_\_\_\_\_, 19\_\_ (the "Supplemental Bonds"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are in the principal amount of \$\_\_\_\_\_, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years, as follows:

Year

Installment

The Supplemental Loan Agreement is supplemental to a loan agreement dated \_\_\_\_\_, \_\_\_\_\_, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement (the "Local Bonds"), which Local Bonds are issued simultaneously herewith.

The Supplemental Bonds are issued, together with the Local Bonds, for the purpose of \_\_\_\_\_ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of \_\_\_\_\_ of the Code of West Virginia, 1931, as amended (the "Local Statute"), under which the Supplemental Bonds are issued, and the Supplemental Loan Agreement that has been undertaken, including all schedules and exhibits to the Supplemental Loan Agreement. The Supplemental Bonds have been authorized by a bond \_\_\_\_\_ (the "Local Act") duly enacted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement. The Supplemental Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Supplemental Loan Agreement.

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

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

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

3. The Governmental Agency is a duly organized and presently existing \_\_\_\_\_, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Supplemental Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary \_\_\_\_\_ in connection with the issuance and sale of the Supplemental Bonds.

5. The Supplemental Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Supplemental Bonds and the Local Act, and have been duly issued and delivered to the Authority. Said lien and pledge are junior, subordinate and inferior to that created for the Local Bonds [and \_\_\_\_\_].

6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Supplemental Bonds, as provided in the Local Act.

7. The Supplemental Bonds are, by statute, exempt

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No opinion is given herein as to the enforceability of remedies with respect to the Supplemental Bonds under any applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights.

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

Very truly yours,



PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: November 8, 1983

CASE NO. 83-342-S-CN

KINGMILL VALLEY PUBLIC SERVICE DISTRICT,  
a public utility, Fairmont, Marion  
County.

In the matter of application for a  
certificate of convenience and necessity  
to construct and operate a sewerage system  
in the Kingmill Valley area of Marion  
County, and for approval of rates and  
financing.

HEARING EXAMINER'S DECISION

PROCEDURE

On July 20, 1983, Kingmill Valley Public Service District, a public utility, Fairmont, Marion County, filed an application for a certificate of convenience and necessity to construct and operate a sewerage system in the Kingmill Valley area of Marion County, for approval of financing, and for approval of the following rates and charges:

SCHEDULE NO. 1

Applicability

Applicable inside and outside of the boundaries of the applicant District.

Availability

Available for metered domestic, commercial, and industrial sewer service, except unusual industrial waste.

Rate

Each 1,000 gallons used per month    \$3.43 per 1,000 gallons

Minimum Bill

\$6.86 per month

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Bi-Monthly or Quarterly Billing

The above rate schedule may be billed on a bi-monthly or quarterly basis, provided there is no reduction in rates.

SCHEDULE NO. 2

Applicability

Applicable inside and outside the boundaries of the District.

Availability of Service

Available for sanitary sewer service to unmetered water users and users who obtain water from wells.

Flat Rate (3,500 gallons) \$12.01 per month

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Bi-Monthly or Quarterly Billing

The above rate schedule may be billed on a bi-monthly or quarterly basis, provided there is no reduction in rates.

SCHEDULE NO. 3

Applicability

Applicable inside and outside the boundaries of the District.

Service Connection Fee

\$200.00

SCHEDULE NO. 4

SURCHARGE FORMULA TO BE APPLIED IN THE CASES OF USERS PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$C_i = V_o V_i + B_o B_i + S_o S_i$$

$C_i$  = charge to unusual users per year.

$V_o$  = average unit cost of transport and treatment chargeable to volume, in dollars per gallon

$V_i$  = volume of waste water from unusual users, in gallons per year

$B_o$  = average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound

$B_i$  = weight of BOD from unusual users, in pounds per year

$S_o$  = average unit cost of treatment (including sludge treatment) chargeable to total solids, in dollars per pound

$S_i$  = weight of total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in judgment of the Kingmill Valley Public Service District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefor, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and audit of the Kingmill Valley Public Service District records, new cost figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user. Based on these audited figures, additional billings covering the past fiscal year will be made for payment by each unusual user, or refund given by the Kingmill Valley Public Service District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

#### SCHEDULE NO. 5

#### APPLICABLE INSIDE AND OUTSIDE OF THE CORPORATE LIMITS OF THE KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Kingmill Valley waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Kingmill Valley

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Bi-Monthly or Quarterly Billing

The above rate schedule may be billed on a bi-monthly or quarterly basis, provided there is no reduction in rates.

SCHEDULE NO. 3

Applicability

Applicable inside and outside the boundaries of the District.

Service Connection Fee

\$200.00

SCHEDULE NO. 4

SURCHARGE FORMULA TO BE APPLIED IN THE CASES OF USERS PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$C_i = V_o V_i + B_o B_i + S_o S_i$$

$C_i$  = charge to unusual users per year.

$V_o$  = average unit cost of transport and treatment chargeable to volume, in dollars per gallon

$V_i$  = volume of waste water from unusual users, in gallons per year

$B_o$  = average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound

$B_i$  = weight of BOD from unusual users, in pounds per year

So = average unit cost of treatment (including sludge treatment) chargeable to total solids, in dollars per pound

Si = weight of total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in judgment of the Kingmill Valley Public Service District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefor, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and audit of the Kingmill Valley Public Service District records, new cost figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user. Based on these audited figures, additional billings covering the past fiscal year will be made for payment by each unusual user, or refund given by the Kingmill Valley Public Service District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

SCHEDULE NO. 5

APPLICABLE INSIDE AND OUTSIDE OF THE CORPORATE LIMITS OF THE KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Kingmill Valley waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Kingmill Valley Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

By Corrected Order of the Commission dated October 18, 1983, it was ordered that the matter be set for hearing on October 27, 1983, at 9:30 a.m., EDST in the Commission's Hearing Room at the Capitol in the City of Charleston. The Applicant was required to give notice of the time and place of said hearing by publishing a copy of said Order in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Marion County, at least twice between the date of said Order and October 27, 1983. Notice was published as required.

The hearing was held as scheduled on October 27, 1983, and the Applicant appeared by T. D. Kauffelt, its attorney. The Commission's Staff was represented by Dan Frutchey, Esquire, Legal Division; Charles E. Windham, Jr., Division of Engineering; and Mark Wilson, Finance & Special Studies Division. At the conclusion of the hearing, the matter was submitted to the Hearing Examiner for his decision. Counsel for the Applicant was granted leave to file a proposed order.

#### DISCUSSION OF THE EVIDENCE

The Applicant presented four (4) witnesses. Mr. Delbert L. Phillips, Chairman of Applicant, testified as to the need of the service proposed to be rendered. Mr. Phillips testified that most residential customers in the area of proposed service use septic tanks, many of which are not functioning. When walking along the streets or roads within the area, one can see effluent running out onto the roads. Mr. Phillips stated the soils of the District are not adequate to absorb the majority of the effluent from the septic tanks. The Marion County Health Department has, for some period of time, imposed a moratorium on building in the area

because of this lack of adequate septic or sewerage systems. (Tr., p. 14). Mr. Phillips believed that the proposed construction plans have the support of the public in the area. This belief is based on the fact that, since publication of the notice of hearings, no one has protested the plan, that he has received letters from residents and business people in the proposed service area indicating the need and desire for the system (Tr., p. 15), and that, in public meetings held to explain the proposed project, the public has expressed its approval. He further testified that there would be approximately 886 residential and commercial users in the new system and that they are aware of the expected costs to the users, but are willing to accept it, since the service is essential. (Tr. pp. 17-18).

Robert L. Fox, Project Engineer for the Bernard G. Sampson Company, testified that his company was employed to design a sanitary sewerage system for the Kingmill Valley Public Service District. After performing a study to determine the amount of sewage that would be collected and treated, the sewerage system was designed to meet these flow quantities. The system would be constructed under three contracts. The first contract covers approximately 72,000 feet of pipe, the second contract covers approximately 58,000 feet of pipe, and the third contract covers approximately 1,500 feet of pipe. (Tr., pp. 19-20). The proposed system will not utilize a treatment plant and the sewage will be transported to the City of Fairmont treatment facility. (Tr., p. 20).

Mr. Fox explained that, as the system is designed, there will be use of STEP Systems. A STEP System consists of a septic tank which receives effluent from a residence and, instead of discharging into a drainage field, discharges it into a storage tank. The effluent is then pumped

into a service main and transported. No more than two residences will be served by any one pump station. This system is used when the residences "can't be served by gravity." (Tr., pp. 23-24). The present plans call for 24 STEP pump units to be installed in the District. (Tr., p. 24). Each STEP System will cost each customer approximately \$1.30 a month for electrical power. The tanks will need to be pumped out every three to five years and the cost for this would be approximately \$10.00 per STEP System per year. (Tr., pp. 25-26).

Upon cross-examination, Mr. Fox indicated that the system has been built in such a manner so that new customers can be served. (Tr., pp. 27-28). He indicated that the Whitehall Public Service District in the City of Fairmont would be passing sewage through the Kingmill Valley Collection System and would pay the Applicant a fee for the use of the system. (Tr., p. 37). Mr. Fox also testified that the necessary permits had been obtained for the project. (Tr., pp. 41-44).

Donald P. Krisher, Jr., a Certified Public Accountant employed by the Applicant, testified that the total project cost would be Five Million Twenty-two Thousand Four Hundred Forty-eight Dollars (\$5,022,448) and that the proposed funding is as follows:

<u>Total Construction Costs</u>	\$5,022,448
<u>Proposed Funding</u>	
EPA Grant	\$3,433,800
WDA Grant	554,888
Marion County Grant	10,000
Tap Fees (886 x \$200 x 80%)	141,760
Bond Issue	873,000
WDA Loan Balance	9,000
<u>Total Proposed Funding</u>	\$5,022,448

(Tr. p. 49; Applicant's Exhibit No. 2).

Mr. Krisher testified that the Fairmont Water Department has agreed to do the billing and collecting for Applicant. All the customers of the Applicant are water customers of Fairmont, so it would not be a difficult task for the Water Department to bill for both. (Tr., p. 50). Mr. Krisher estimated that the total operating expenses would be approximately \$124,000 a year, including the payroll taxes. (Tr., p. 53, Applicant's Exhibit No. 2). When coverage requirements, bond amortization amounts, and operation costs are considered, \$245,000 of revenue would be required yearly. (Tr., p. 53). This annual amount would be sufficient to amortize the bond issue of \$873,000 over a 38 year period. (Tr., p. 56). Mr. Krisher, through his Rule 42 Exhibit, indicated that the proposed rates would raise approximately \$245,866. After payment of debt service and operating expenses, \$31,534 would be available for debt coverage, amounting to coverage of 135%. (Applicant's Exhibit No. 2, Statement A).

Thomas R. Stevick, Project Coordinator for EPA Sewer Projects, testified that he has been working directly for the District, doing administrative work such as dealing with the engineers and obtaining grants. (Tr., p. 65). Mr. Stevick testified that approximately 90% of the needed rights-of-way have been obtained and a good majority of those not obtained were merely people waiting for the pre-construction stakeout. (Tr., p. 66). He also testified that he had firm commitments from EPA and WDA in regard to the availability of the proposed grants. (Tr., pp. 68-69, Applicant's Exhibit No. 4). Mr. Stevick believed that once Commission approval of the project is obtained and bids are accepted, the project will be ready to be constructed and operated. (Tr., p. 70).

The Staff of the Public Service Commission presented one witness, Charles E. Windham, Jr., of the Division of Engineering. Mr. Windham

believed that the STEP System is a result of a problem in the terrain of the area of the proposed system. There will be additional costs involved in connecting a STEP System customer. These additional costs are only 1% of the entire construction costs. After construction, STEP System maintenance costs for the pumps and tanks are slightly higher than for a normal system. Mr. Windham felt that these additional costs have been addressed in this particular case. Mr. Windham believed, however, that when the Applicant has to pay the entire amount for the STEP System, instead of having a large percentage of it funded by federal or state government grants, as in the present case, it would not be cost-effective to continue to add new customers to the STEP System. He recommended that the Applicant limit the number of STEP customers to the 24 stations that are already included in this case. (tr., pp. 75-76). Upon cross-examination, Mr. Windham indicated that it might be reasonable to consider obtaining a contribution to the installation from the customer who is to be served by a STEP System. (Tr., p. 76).

#### FINDINGS OF FACT

The Hearing Examiner is of the opinion and finds that:

1. The area that will be served by the proposed construction project is presently served by septic tanks. This septic tank service is wholly inadequate, as the soil in the area cannot absorb the majority of the effluent from the tanks, causing it to run out into the roads and into the streams. (Tr., p. 14).

2. The construction project proposed by the Applicant would serve approximately 886 residential and commercial customers. (Tr., p. 17). The system would consist of approximately 131,500 feet of pipe for the

collection and transportation of sewage to the City of Fairmont treatment facility. (Tr., pp. 19-21).

3. The construction project proposed by the Applicant would correct the present sanitary service deficiencies and adequately serve the needs of people living in the proposed service area (Tr., p. 22) in the most cost-effective manner. (Tr., pp. 28-29). The project should, therefore, be approved.

4. The proposed financing, consisting of federal, state and county grants, a bond issue of \$873,000 and tap fees, as discussed above, will cover the estimated construction cost of 5,022,448 (Tr., p. 49; Applicant's Exhibit No. 2) and is, therefore, reasonable, as is the proposal to issue notes in an amount not to exceed \$5,000,000 for interim financing.

5. Yearly revenues in the amount of approximately \$245,000 will be needed to operate the proposed system. (Tr., p. 53). This amount would be sufficient to amortize the bond issue of \$873,000 over a 38 year period. (Tr., p. 56).

6. The rates proposed by the Applicant are just and reasonable, in that they will raise yearly revenues of approximately \$245,866. (Applicant's Exhibit No. 2).

7. The use of STEP Systems is warranted for the 24 systems included in the plans and specifications filed in this case; however, the District should refrain from approving additional STEP Systems, since the cost per customer will be unusually high. If the District intends to add STEP Systems in the future, it should apply for a special tariff provision authorizing a substantial customer contribution in aid of construction.

### CONCLUSIONS OF LAW

1. The public convenience and necessity requires the granting of the application for certificate of public convenience and necessity to construct facilities applied for in this case, and as more fully described in the plans and specifications on file with this Commission.

2. The accounting exhibits submitted, as well as the use of the proposed rates, indicate that this project is economically and financially feasible, and that said financing arrangements should be approved.

3. The rates and charges applied for by the Applicant should be approved.

### ORDER

IT IS, THEREFORE, ORDERED that:

1. The application filed herein by Kingmill Valley Public Service District, requesting a certificate of convenience and necessity to operate and construct a sewerage system at Kingmill Valley and vicinity, Marion County, be, and the same hereby is, granted as applied for.

2. The financing arrangements for obtaining the revenue to finance this project consisting of grants and the issuing of revenue bonds as set forth above is hereby approved, as is the issuance of notes in an amount not to exceed \$5,000,000 for use in interim financing.

3. The rates and charges contained in Appendix A, attached hereto, are hereby approved and authorized for sewage service to be rendered by the Applicant when said system is complete and available for service.

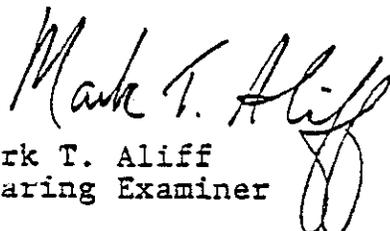
4. The applicant shall file a tariff within sixty (60) days with this Commission, setting forth the rules and regulations, the rates and charges, and other tariff provisions herein above authorized.

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 a Hearing Examiner'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 Hearing Examiner's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

  
Mark T. Aliff  
Hearing Examiner

MTA:mal

KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
CASE NO. 83-342-S-CN  
RATES

SCHEDULE NO. 1

Applicability

Applicable inside and outside of the boundaries of the applicant District.

Availability

Available for metered domestic, commercial, and industrial sewer service, except unusual industrial waste.

Rate

Each 1,000 gallons used per month \$3.43 per 1,000 gallons

Minimum Bill

\$6.86 per month

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Bi-Monthly or Quarterly Billing

The above rate schedule may be billed on a bi-monthly or quarterly basis, provided there is no reduction in rates.

SCHEDULE NO. 2

Applicability

Applicable inside and outside the boundaries of the District.

Availability of Service

Available for sanitary sewer service to unmetered water users and users who obtain water from wells.

Flat Rate (3,500 gallons) \$12.01 per month



J. Steven Hunter,  
General Counsel

201 Brooks Street, P. O. Box 812  
Charleston, West Virginia 25323

(304) 340-0317  
Writer's Direct Call: 340-

June 9, 1986

Mr. Thomas R. Stevick  
Project Coordinator  
Kingmill Valley PSD  
2245 Maple Drive  
Fairmont, WV 26554

Re: Case No. 83-342-S-CN  
KINGMILL VALLEY PSD

Dear Mr. Stevick:

On June 4, 1986, the Commission, pursuant to General Order No. 212, entered an Order Approving Change In Financing for the sewer construction project of the Kingmill Valley PSD. The Staff has reviewed the order and does not intend to petition the Commission for reconsideration of that order.

If I can be of further assistance, please contact me.

Respectfully yours,

*Marc E. Lewis*  
MARC E. LEWIS  
Staff Attorney

MEL/iw

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: June 4, 1986

CASE NO. 83-342-S-CN

KINGMILL VALLEY PUBLIC SERVICE DISTRICT,  
a public utility, Fairmont, Marion  
County.

Application for a certificate of convenience  
and necessity to construct, operate and maintain  
a sanitary sewer system in the Kingmill Valley  
area of Marion County, and for approval of rates  
and financing.

ORDER APPROVING CHANGE IN FINANCING

On November 8, 1983, a Commission Hearing Examiner issued a Hearing Examiner's Decision granting a certificate of public convenience and necessity to the Kingmill Valley Public Service District (District) authorizing it to construct and operate a sanitary sewer system in the Kingmill Valley area of Marion County. Included in that order, inter alia, was the approval of the sale of \$873,000 of sewer revenue bonds to the Water Development Authority (WDA), an Agency of the State of West Virginia.

This amount represented a significant portion of the total proposed funding package amounting to \$5,022,448. The Applicant's total funding package was approved as testified to at the hearing. In addition to the funding, the Applicant's proposed sewer rates were approved as the evidence showed they would be sufficient to allow the District to construct, operate and maintain this system, as proposed. The District was to apply to the Commission for approval of significant changes in the funding or planning factors of this project.

By letter dated May 7, 1986, the Chairman of the District, Delbert L. Phillips, requested an amendment of the Hearing Examiner's Decision, to allow the District to borrow \$1,100,000. Mr. Phillips stated that the original order approved the borrowing of \$873,000, for a term of 38 years, at a 10% interest rate. The approved rates would allow for a 35% coverage factor. Under the new terms arranged with WDA, the first \$873,000 will be borrowed at a 9.75% interest rate for 38 years, with a 15% coverage. Additional amounts borrowed over this figure would also be for a term of 38 years at a rate of interest of 8%. The presently authorized rates will also allow for a 15% coverage factor. No increase in rates is being requested by this application. Notice of this request was published in Marion County on May 3, 1986.

Pursuant to standard Commission policy, this matter was submitted to the Commission's various operating divisions for their respective review and recommendations. In his memorandum dated May 27, 1986, Brian Donat of the Commission's Finance and Special Studies Division, entered that Division's recommendation. Mr. Donat's investigation confirmed the figures presented by Mr. Phillips in his letter. Apparently, Environmental Protection Agency grant receipts were overestimated by approximately \$60,000 due to larger than expected ineligible construction costs for the project. In addition, the interim financing was based upon the contractor's projection that the project would be complete six months before the contracted time. This meant that the District could have produced \$170,000 in system revenues before June 12, 1986. However, this time estimate was in error and the District now estimates it can only derive \$10,000 in system revenues from its 895 customers before the deadline. Upon Staff's review of this application, it is the

recommendations of the Finance and Special Studies Division that the revised permanent financing for this project be approved. The Hearing Examiner has received further recommendations from Staff Attorney Marc Lewis who indicated that he is not totally satisfied with the explanation he received but, it would be in the best interest of all concerned to approve the request. Mr. Donat's investigation shows that under the proposed conditions, the District's present rates will allow it to pay the principal and interest payments and coverage requirement of 15%, with an additional surplus of approximately \$4,132. This would result in an overall coverage ratio of 119%.

Upon consideration of all the foregoing and all matters contained in the case file, the Hearing Examiner is of the opinion and finds that the request of the Kingmill Valley Public Service District to authorize it to sell \$1,100,000 in revenue bonds to the Water Development Authority is reasonable and should be approved as requested.

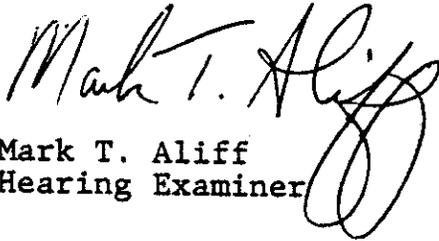
IT IS, THEREFORE, ORDERED that the request by the Kingmill Valley Public Service District to amend the Hearing Examiner's Decision of November 8, 1983, to authorize it to sell \$1,100,000 in revenue bonds to the Water Development Authority be, and it hereby is, approved, as the sale applies to this application.

IT IS FURTHER ORDERED that the 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.

This order is issued pursuant to General Order No. 212, dated December 16, 1982, which order designates the Division of Hearing Examiners as the initial decision making body in the Public Service Commission and authorizes the Public Service Commission Hearing Examiners to issue orders

on behalf of the Commission in all proceedings filed pursuant to Chapter 24 of the West Virginia Code, which proceedings are not set for hearing and which orders shall have the full force and effect of Commission orders, without the provision for the filing of exceptions thereto.

Leave is hereby granted to the parties to file a petition for further hearing, reopening, or rehearing pursuant to Rule 19 of the Commission's Rules of Practice and Procedure with the Executive Secretary of the Commission within ten (10) days after the date this order is mailed.

  
Mark T. Aliff  
Hearing Examiner

MTA:mal



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned, DANIEL B. YONKOSKY, Secretary-Treasurer of West Virginia Water Development Authority, for and on behalf of West Virginia Water Development Authority (the "Authority") and DELBERT L. PHILLIPS, Chairman of the Public Service Board of Kingmill Valley Public Service District (the "Governmental Agency"), hereby certify as follows:

1. On the 12th day of June, 1986, the Authority received the entire original issue of \$1,090,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 A and Series 1986 B (collectively, the Governmental Agency Bonds"), issued as a single Bond of each Series, numbered AR-1 and BR-1, respectively, and both dated June 12, 1986, the Series A Bond being in the principal amount of \$1,008,657 and the Series B Bond being in the principal amount of \$81,343.

2. At the time of such receipt of the Governmental Agency Bonds upon original issuance, all of the Governmental Agency Bonds had been executed by Delbert L. Phillips, as Chairman of the Public Service Board of the Governmental Agency, by his manual signature, and by John G. Conaway, as Secretary of the Public Service Board of the Governmental Agency, by his manual signature, and the official seal of the Governmental Agency had been affixed upon the Governmental Agency Bonds.

3. The Governmental Agency has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Governmental Agency Bonds, of the proceeds of the Series A Bonds in the amount of \$1,008,657 (100% of par), there being no interest accrued thereon. Proceeds of the Series B Bonds in the amount of \$81,343 (100% of par) are expected to be received within 30 days of the date hereof.

IN WITNESS WHEREOF, DANIEL B. YONKOSKY duly signed and delivered this receipt on behalf of WEST VIRGINIA WATER DEVELOPMENT AUTHORITY and KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this receipt to be executed by its Chairman, as of this 12th day of June, 1986.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By Daniel B. Yonkosky  
Its Secretary-Treasurer

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By Walter L. Smith  
Chairman

06/06/86  
KIMI1-H

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 B

RECEIPT FOR SERIES 1986 B BOND PROCEEDS

The undersigned, DELBERT L. PHILLIPS, Chairman of the Public Service Board of Kingmill Valley Public Service District (the "Governmental Agency"), hereby certifies that, on the \_\_\_\_\_ day of \_\_\_\_\_, 1986 the Governmental Agency received and hereby acknowledges receipt from the Authority, as the original purchaser of the captioned Bonds, the proceeds thereof in the amount of \$81,343 (100% of par).

IN WITNESS WHEREOF, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this receipt to be executed by its Chairman, as of this \_\_\_\_\_ day of \_\_\_\_\_, 1986.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By \_\_\_\_\_  
Chairman

06/11/86  
KIMI1-H

6B



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

Kanawha Valley Bank, N.A.  
Charleston,  
West Virginia

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of Kingmill Valley Public Service District Sewer Revenue Bonds, Series 1986 A, dated May 15, 1986, in the principal amount of \$1,008,657, and Bond No. BR-1, constituting the entire original issue of Kingmill Valley Public Service District Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, in the principal amount of \$81,343 (collectively, the "Governmental Agency Bonds") executed by the Chairman and Secretary of the Public Service Board of Kingmill Valley Public Service District (the "Governmental Agency") and bearing the official seal of the Governmental Agency, authorized to be issued under and pursuant to a Bond Resolution and Supplemental Bond Resolution duly adopted by the Governmental Agency (collectively, the "Local Act");

(2) A copy of the Local Act authorizing the above Governmental Agency Bond issue, duly certified by the Secretary of the Governmental Agency;

(3) Executed counterparts of the loan agreement and the supplemental loan agreement, both dated June 12, 1986, by and between the West Virginia Water Development Authority (the "Authority") and the Governmental Agency (collectively, the "Loan Agreement");

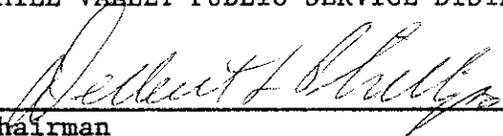
(4) A signed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and Governmental Agency Bonds.

You are hereby requested and authorized to deliver the Governmental Agency Bonds to the Authority upon payment to the account of the Governmental Agency of the sum of \$1,008,657, representing the agreed purchase price of the Series 1986 A Bonds, there being no accrued interest thereon (proceeds of the Series 1986 B Bonds are expected to be received in approximately 30 days). Prior to such delivery of the Governmental Agency Bonds, you will please cause the Governmental Agency Bonds to be authenticated by an authorized officer, as Governmental Agency Bonds Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

Dated this 12th day of June, 1986.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By

  
Chairman

06/06/86  
KIMI1-I



(SPECIMEN BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
SEWER REVENUE BOND, SERIES 1986 A

No. AR-1

\$1,008,657

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion County of said State, (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE MILLION EIGHT THOUSAND SIX HUNDRED FIFTY-SEVEN DOLLARS (\$1,008,657), 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 set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 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 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"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (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 the 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 upon the terms and conditions prescribed by, and otherwise in compliance with the Loan Agreement between the Issuer and the Authority, dated May 15, 1986.

8

This Bond is issued (i) to refund and pay a portion of the Sewerage System Construction Notes, Series 1983, of the Issuer (the "Notes") issue to finance part of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project; and (iii) 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June, 1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued contemporaneously with the Sewer Revenue Bonds, Series 1986 B, of the Issuer (the "Series 1986 B Bonds") issued in the aggregate principal amount of \$81,343, which Series 1986 B Bonds are junior and subordinate with respect to lien and sources of and security for payment to the Bonds of this series (the "Bonds").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1986 A Bonds Reserve Account"), 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 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 1986 A Bonds Reserve Account and unexpended Bond proceeds. 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 amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the Series 1986 B Bonds

and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1986 B Bonds, provided however, that so long as there exists in the Series 1986 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year, and in the reserve account established for the Series 1986 B Bonds or any other obligations outstanding prior to or on a parity with the Bonds or Series 1986 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such 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.

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 Notes and Costs of the Project 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.

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 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 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 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated June 12, 1986.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

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

KANAWHA VALLEY BANK, N.A.,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

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

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

Dated: \_\_\_\_\_, \_\_\_\_\_.

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

\_\_\_\_\_  
07/10/86  
KIMI2-C

TABLE II

KINGMILL VALLEY PSD  
Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	-----1985 Series A Bonds-----			
	Coupon	Principal	Interest	Debt Service
1986	9.75%	0.00	29,776.40	29,776.40
1987	9.75%	2,683.00	98,344.06	101,027.06
1988	9.75%	2,945.00	98,082.47	101,027.47
1989	9.75%	3,232.00	97,795.33	101,027.33
1990	9.75%	3,547.00	97,480.21	101,027.21
1991	9.75%	3,893.00	97,134.38	101,027.38
1992	9.75%	4,273.00	96,754.81	101,027.81
1993	9.75%	4,689.00	96,338.19	101,027.19
1994	9.75%	5,146.00	95,881.01	101,027.01
1995	9.75%	5,648.00	95,379.28	101,027.28
1996	9.75%	6,199.00	94,828.60	101,027.60
1997	9.75%	6,803.00	94,224.20	101,027.20
1998	9.75%	7,466.00	93,560.90	101,026.90
1999	9.75%	8,194.00	92,832.97	101,026.97
2000	9.75%	8,993.00	92,034.05	101,027.05
2001	9.75%	9,870.00	91,157.24	101,027.24
2002	9.75%	10,833.00	90,194.91	101,027.91
2003	9.75%	11,889.00	89,138.69	101,027.69
2004	9.75%	13,048.00	87,979.52	101,027.52
2005	9.75%	14,320.00	86,707.34	101,027.34
2006	9.75%	15,716.00	85,311.14	101,027.14
2007	9.75%	17,249.00	83,778.83	101,027.83
2008	9.75%	18,930.00	82,097.05	101,027.05
2009	9.75%	20,776.00	80,251.37	101,027.37
2010	9.75%	22,802.00	78,225.71	101,027.71
2011	9.75%	25,025.00	76,002.52	101,027.52
2012	9.75%	27,465.00	73,562.58	101,027.58
2013	9.75%	30,143.00	70,884.74	101,027.74
2014	9.75%	33,081.00	67,945.80	101,026.80
2015	9.75%	36,307.00	64,720.40	101,027.40
2016	9.75%	39,847.00	61,180.47	101,027.47
2017	9.75%	43,732.00	57,295.39	101,027.39
2018	9.75%	47,996.00	53,031.52	101,027.52
2019	9.75%	52,675.00	48,351.91	101,026.91
2020	9.75%	57,811.00	43,216.10	101,027.10
2021	9.75%	63,448.00	37,579.52	101,027.52
2022	9.75%	69,634.00	31,393.34	101,027.34
2023	9.75%	76,423.00	24,604.03	101,027.03
2024	9.75%	83,874.00	17,152.79	101,026.79
2025	9.75%	92,052.00	8,975.07	101,027.07
		1,008,657.00	2,961,184.84	3,969,841.84

Smith Barney, Harris Upham & Co.  
Incorporated

June 10, 1986



(SPECIMEN BOND)

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
SEWER REVENUE BOND, SERIES 1986 B

No. BR-1

\$81,343

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion County of said State, (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority") or registered assigns the sum of EIGHTY-ONE THOUSAND THREE HUNDRED FORTY-THREE DOLLARS (\$81,343), in annual 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, without 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 as paying agent (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and upon the terms and conditions prescribed by and otherwise in compliance with the Supplemental Loan Agreement between the Issuer and the Authority, dated May 15, 1986.

This Bond is issued (i) to pay certain additional costs of acquisition and construction of new sewage collection and transportation facilities of the Issuer (the "Project"); and (ii) 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 West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June,

1986 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1986 A Bonds herein described, moneys in the Reserve Account created under the Bond Legislation for the Bonds of this Series (the "Series 1986 B Bonds Reserve Account"), and unexpended proceeds of the Bonds of this Series (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 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 1986 B Bonds Reserve Account and unexpended Bond proceeds. 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 fiscal year equal to at least 115% of the amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the 1986 Series A Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the 1986 Series A Bonds or the Bonds, provided however, that so long as there exists in the Series 1986 B Bonds Reserve Account and the reserve account established for the Series A Bonds, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1986 Series A Bonds in any fiscal year and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Bond Legislation, only upon the books of Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as 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, shall be applied solely to the payment of the Notes and the Costs of the Project 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 owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1986 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1986 A, OF THE ISSUER (THE "SERIES 1986 A BONDS"), ISSUED CONCURRENTLY HERewith AND DESCRIBED IN THE BOND LEGISLATION.

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 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 revenue 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated June 12, 1986.

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

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

KANAWHA VALLEY BANK, N.A.,  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

TABLE III

KINGMILL VALLEY PSD  
 Analysis of 7.00% Borrowing Cost for Local Issuer

Period Ending 10/1	Zero Coupon Bonds
1986	0.00
1987	2,086.02
1988	2,085.71
1989	2,085.71
1990	2,085.71
1991	2,085.71
1992	2,085.71
1993	2,085.71
1994	2,085.71
1995	2,085.71
1996	2,085.71
1997	2,085.71
1998	2,085.71
1999	2,085.71
2000	2,085.71
2001	2,085.71
2002	2,085.71
2003	2,085.71
2004	2,085.71
2005	2,085.71
2006	2,085.71
2007	2,085.71
2008	2,085.71
2009	2,085.71
2010	2,085.71
2011	2,085.71
2012	2,085.71
2013	2,085.71
2014	2,085.71
2015	2,085.71
2016	2,085.71
2017	2,085.71
2018	2,085.71
2019	2,085.71
2020	2,085.71
2021	2,085.71
2022	2,085.71
2023	2,085.71
2024	2,085.71
2025	2,085.71
	81,343.00

Smith Barney, Harris Upham & Co.  
 Incorporated

June 10, 1986

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

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

Dated: \_\_\_\_\_, \_\_\_\_\_.

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

\_\_\_\_\_  
07/10/86  
KIMI2-E



# STEPTOE & JOHNSON

ATTORNEYS AT LAW

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CHARLESTON, W. VA. 25326

(304) 342-2191

June 12, 1986

CHARLESTON

CHARLES W. YEAGER

CARL F. STUCKY, JR.

OTIS L. O'CONNOR

WAYNE A. SINCLAIR

JAMES R. WATSON

DANIEL R. SCHUDA

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HERSCHEL H. ROSE III

CHRISTOPHER P. BASTIEN

STEVEN P. MCGOWAN

OF COUNSEL

ROBERT W. LAWSON, JR.

EDWARD W. EARDLEY

EUGENE G. EASON

WILLIS O. SHAY

WRITER'S DIRECT DIAL NUMBER

Kingmill Valley Public Service District  
Sewer Revenue Bonds, Series 1986 A

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We are bond counsel to Kingmill Valley Public Service District (the "Governmental Agency"), a public service district and a public corporation and political subdivision created and existing under Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Local Statute").

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement, dated May 15, 1986, (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated June 12, 1986 (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$1,008,657, originally issued in the form of one bond, registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, beginning October 1, 1986, at the rate of 9.75% per annum, and with principal installments payable on October 1 in each of the years 1987 through 2025, inclusive, all as set forth in "Schedule X," attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, the Local Statute, for the purposes of (i) refunding a portion of the Sewerage System Construction Notes, Series 1983, of the Governmental Agency (the "Notes") issued to finance part of the costs of

acquisition and construction of new sewage collection and transportation facilities (the "Project") pending issuance of the Local Bonds and receipt of certain grant proceeds, (ii) paying additional costs of acquisition and construction of the Project, and (iii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of the Local Statute, under which the Local Bonds are issued, and the Loan Agreement that has been undertaken, including all schedules and exhibits to the Loan Agreement. The Local Bonds have been authorized by a bond resolution and a supplemental resolution (collectively, the "Local Act") duly adopted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.
3. The Governmental Agency is a duly organized and presently existing public service district and political subdivision of the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.
4. The Governmental Agency has legally and effectively adopted the Local Act and all other necessary resolutions in connection with the issuance and sale of the Governmental Agency Bonds.
5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and secured by a first lien on and pledge of the net revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and the Local Bonds have been duly issued and delivered to the Authority.

6. The Order of the Public Service Commission of West Virginia entered June 4, 1986 (Case No. 83-342-S-CN) approving the proposed financing is not subject to appeal to the Supreme Court of Appeals of West Virginia by any customer, protestant or any other person who was not a party to the original application, and the Public Service Commission of West Virginia has waived its rights of appeal thereof.

7. The Local Bonds are, under the Local Statute, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and interest on the Local Bonds is exempt from personal income taxes imposed directly thereon by the State of West Virginia. Under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is exempt from federal income taxation.

We have reviewed the provisions of H.R. 3838, the "Tax Reform Act of 1985," as adopted by the United States House of Representatives on December 17, 1985, and a joint statement issued by the chairmen and ranking minority members of the Ways and Means Committee of the United States House of Representatives and the Finance Committee of the United States Senate, together with the Secretary of the United States Treasury Department, endorsing the postponement of the effective date of certain provisions of H.R. 3838. It is our opinion that the Local Bonds are of the type entitled to such effective date postponement and that, based upon such joint statement, except as set forth below, none of the provisions of H.R. 3838 which may be applicable to the Local Bonds are in effect as of the date hereof, nor will any of such provisions be retroactively applied, and therefore interest on the Local Bonds would be exempt from federal income taxation under H.R. 3838 as adopted by the United States House of Representatives with effective dates modified in accordance with the joint statement referred to above.

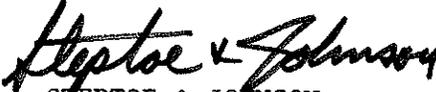
Please be advised that under H.R. 3838, the interest on the Local Bonds may, with respect to property and casualty insurance companies, be subject to an alternative minimum tax during taxable years beginning after 1987.

Please be further advised that the rights of the holders of the Local Bonds and the enforceability of the Local Bonds, the Local Act and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights (to the extent constitutionally applicable) and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

West Virginia Water Development Authority  
Page 4

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

Very truly yours,

  
STEPTOE & JOHNSON

06/06/86  
KIM11-J



# STEPTOE & JOHNSON

ATTORNEYS AT LAW

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P. O. BOX 1588

CHARLESTON, W. VA. 25326

(304) 342-2191

June 12, 1986

CHARLESTON

CHARLES W. YEAGER

CARL F. STUCKY, JR.

OTIS L. O'CONNOR

WAYNE A. SINCLAIR

JAMES R. WATSON

DANIEL R. SCHUDA

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STEVEN P. MCGOWAN

OF COUNSEL

ROBERT W. LAWSON, JR.

EDWARD W. EARDLEY

EUGENE G. EASON

WILLIS O. SHAY

WRITER'S DIRECT DIAL NUMBER

## Kingmill Valley Public Service District Sewer Revenue Bonds, Series 1986 B

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We are bond counsel to Kingmill Valley Public Service District (the "Governmental Agency"), a public service district and a public corporation and political subdivision created and existing under Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Local Statute").

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a supplemental loan agreement, dated May 15, 1986 (the "Supplemental Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of supplemental, subordinate revenue bonds of the Governmental Agency, dated June 12, 1986 (the "Supplemental Bonds"), to be purchased by the Authority in accordance with the provisions of the Supplemental Loan Agreement. The Supplemental Bonds are in the principal amount of \$81,343, issued in the form of one bond registered as to principal to the Authority, without interest thereon, with principal payable in installments on October 1 in each of the years 1987 through 2025, inclusive, all as set forth in "Schedule X," attached to the Supplemental Loan Agreement.

The Supplemental Loan Agreement is supplemental to a loan agreement also dated May 15, 1986, also between the Governmental Agency and the Authority (the "Loan Agreement"). The Supplemental Bonds are junior, subordinate and inferior as to lien and source of and security for payment to the bonds issued pursuant to the Loan Agreement (the "Local Bonds") which Local Bonds are issued simultaneously herewith.

The Supplemental Bonds are issued, together with the Local Bonds, under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, the Local Statute, for the purposes of (i) paying additional costs of acquisition and construction of new sewage collection and transportation facilities of the Governmental Agency (the "Project"), and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of the Local Statute, under which the Supplemental Bonds are issued, and the Supplemental Loan Agreement that has been undertaken, including all schedules and exhibits to the Supplemental Loan Agreement. The Supplemental Bonds have been authorized by a bond resolution and a supplemental resolution (collectively, the "Local Act") duly adopted by the Governmental Agency, which contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Supplemental Loan Agreement. The Supplemental Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Supplemental Loan Agreement.

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

1. The Supplemental Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.
2. The Supplemental Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.
3. The Governmental Agency is a duly organized and presently existing public service district and political subdivision of the State of West Virginia, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Supplemental Loan Agreement and to issue and sell the Supplemental Bonds, all under the Local Statute and other applicable provisions of law.
4. The Governmental Agency has legally and effectively enacted and adopted the Local Act and all other necessary resolutions in connection with the issuance and sale of the Supplemental Bonds.
5. The Supplemental Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the net revenues of the System referred to in the Local Act and secured by a lien on and pledge of the net revenues of said System, junior and subordinate to that created for

the Local Bonds, all in accordance with the terms of the Supplemental Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Governmental Agency has reserved the right to issue additional bonds ranking on a parity with the Supplemental Bonds, as provided in the Local Act.

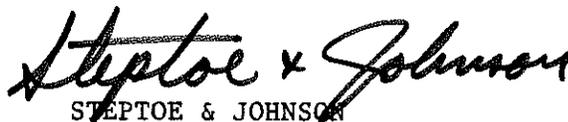
7. The Supplemental Bonds are, under the Local Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

8. The Order of the Public Service Commission of West Virginia entered June 4, 1986 (Case No. 83-342-S-CN) approving the proposed financing is not subject to appeal to the Supreme Court of Appeals of West Virginia by any customer, protestant or any other person who was not a party to the original application and the Public Service Commission of West Virginia has waived its rights of appeal thereof.

No opinion is given herein as to the enforceability of remedies with respect to the Supplemental Bonds under any applicable bankruptcy, insolvency, moratorium or other laws affecting creditors' rights.

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

Very truly yours,

  
STEPTOE & JOHNSON



# STEPTOE & JOHNSON

ATTORNEYS AT LAW

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June 12, 1986

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OF COUNSEL

ROBERT W. LAWSON, JR.

EDWARD W. EARDLEY

EUGENE G. EASON

WILLIS O. SHAY

WRITER'S DIRECT DIAL NUMBER

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ERNEST C. SWIGER

HERBERT G. UNDERWOOD

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ROBERT G. STEELE

JAMES M. WILSON

PATRICK D. DEEM

ROBERT M. STEP TOE, JR.

ANNE R. WILLIAMS

JAMES D. GRAY

VINCENT A. COLLINS

JAMES A. RUSSELL

FRANK E. SIMMERMAN, JR.

WILLIAM T. BELCHER

MICHAEL L. BRAY

DAVID C. CLOVIS

J. GREG GOODYKOONTZ

IRENE M. KEELEY

EVANS L. KING, JR.

WALTER L. WILLIAMS

SUSAN S. BREWER

RONALD H. HANLAN

C. DAVID MORRISON

HARRY P. WADDELL

CLEMENT D. CARTER III

W. HENRY LAWRENCE IV

WILLIAM E. GALEOTA

GORDON H. COPLAND

RANDALL C. LIGHT

RICHARD M. YURKO, JR.

GARY W. NICKERSON

W. RANDOLPH FIFE

Kingmill Valley Public Service District  
Sewer Revenue Bonds, Series 1986 A

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Gentlemen:

We have examined a transcript of proceedings relating to the issuance of \$1,008,657 aggregate principal amount of Sewer Revenue Bonds, Series 1986 A (the "Governmental Agency Bonds") of Kingmill Valley Public Service District (the "Governmental Agency"), and a Certificate as to Arbitrage executed by the Chairman of the Public Service Board of the Governmental Agency on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Certificate as to Arbitrage are sufficient to satisfy the requirements of Section 103(c) of the Internal Revenue Code of 1954, as amended, and Treasury Regulations promulgated thereunder, particularly Sections 1.103-13, 1.103-14 and 1.103-15, to support the conclusion that the Governmental Agency Bonds are not "arbitrage bonds" as therein defined. No matters have come to our attention which make unreasonable or incorrect the representations made in said Certificate.

Accordingly, it is our opinion that, under existing statutes, regulations, rulings and court decisions, the Governmental Agency Bonds are not "arbitrage bonds" as so defined.

We have reviewed the provisions of H.R. 3838, the "Tax Reform Act of 1985," as adopted by the United States House of Representatives on December 17, 1985, and a joint statement issued by the chairmen and ranking minority members of the Ways and Means Committee of the United States House of

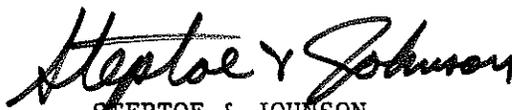
12

West Virginia Water Development Authority  
Page 2

Representatives and the Finance Committee of the United States Senate, together with the Secretary of the United States Treasury Department, endorsing the postponement of the effective date of certain provisions of H.R. 3838. It is our opinion that the Local Bonds are of the type entitled to such effective date postponement and that, based upon such joint statement, except as set forth below, none of the provisions of H.R. 3838 which may be applicable to the Local Bonds are in effect as of the date hereof, nor will any of such provisions be retroactively applied, and therefore interest on the Local Bonds would be exempt from federal income taxation under H.R. 3838 as adopted by the United States House of Representatives with effective dates modified in accordance with the joint statement referred to above.

Please be advised that under H.R. 3838, the interest on the Local Bonds may, with respect to property and casualty insurance companies, be subject to an alternative minimum tax during taxable years beginning after 1987.

Very truly yours,

  
STEPTOE & JOHNSON

06/06/86  
KIMI1-L



(LETTERHEAD OF CRONIN AND CRONIN,  
COUNSEL TO DISTRICT)

June 12, 1986

Kingmill Valley Public Service District  
Sewer Revenue Bonds, Series 1986 A and Series 1986 B

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25064

Steptoe & Johnson  
Union National Center East, 6th Floor  
Post Office Box 2190  
Clarksburg, West Virginia 26302-2190

Gentlemen:

We are counsel to Kingmill Valley Public Service District, in Marion County, West Virginia (the "Governmental Agency"). As such counsel, we have examined copies of the approving opinions of Steptoe & Johnson, as bond counsel, and a loan agreement and a supplemental loan agreement, both dated May 15, 1986, all by and between the West Virginia Water Development Authority (the "Authority") and the Governmental Agency (collectively, the "Loan Agreement"), the Local Act (as defined therein) and other documents relating to the above-captioned Bonds (the "Bonds") of the Governmental Agency. Terms used in said opinions, Local Act and Loan Agreement and Supplemental Loan Agreement and not otherwise defined herein have the same meanings herein.

We are of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Governmental Agency and, assuming due authorization, execution and delivery by the Authority, constitute valid and binding agreements of the Governmental Agency in accordance with its terms.
2. The members of the Public Service Board of the Governmental Agency have been duly and properly appointed, have taken the requisite oaths and are authorized to act on behalf of the Governmental Agency.

3. The Local Act has been duly adopted by the Governmental Agency and is in full force and effect.

4. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Loan Agreement, 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 Governmental Agency a breach of or default under any agreement or other instrument to which the Governmental Agency is a party or any existing law, regulation, court order or consent decree to which the Governmental Agency is subject.

5. The Governmental Agency has received all the permits, licenses, approvals and authorizations necessary for the issuance of the Bonds, the construction of the Project and imposition of rates and charges, and has taken any other action required for the imposition of such rates and charges, including, without limitation, adoption of a resolution setting such rates and charges and the obtaining of all requisite orders and approvals from the Public Service Commission of West Virginia.

6. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein any unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement or the validity of the Bonds or the collection or pledge of the Net Revenues.

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

Very truly yours,

CRONIN AND CRONIN



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

GENERAL CERTIFICATE OF GOVERNMENTAL AGENCY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. GRANTS
11. LOAN AGREEMENT
12. RATES
13. SIGNATURES AND DELIVERY
14. GOVERNMENTAL AGENCY BONDS PROCEEDS
15. PUBLICATION AND POSTING OF NOTICE OF BORROWING AND PETITION
16. SPECIMEN GOVERNMENTAL AGENCY BONDS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Kingmill Valley Public Service District in Marion County, West Virginia (the "Governmental Agency"), and the undersigned ATTORNEY for the Governmental Agency, hereby certify in connection with the \$1,090,000 aggregate principal amount Kingmill Valley Public Service District Sewer Revenue Bonds, Series 1986 A and Series 1986 B (collectively, the "Governmental Agency Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond Resolution of the Governmental Agency adopted June 10, 1986, and a Supplemental Bond Resolution adopted concurrently therewith (collectively, the "Local Act").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Governmental Agency Bonds, receipt of the Grant Receipts, or in any way contesting or affecting the validity of the Governmental Agency Bonds or the Grants or any proceedings of the Governmental Agency

taken with respect to the issuance or sale of the Governmental Agency Bonds, the pledge or application of any moneys or security provided for the payment of the Governmental Agency Bonds or the existence or the powers of the Governmental Agency insofar as they relate to the authorization, sale and issuance of the Governmental Agency Bonds, receipt of the Grant Receipts or such pledge or application of moneys and security or the collection or pledge of the Net Revenues.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for construction of the Project, operation of the System and issuance of the Governmental Agency Bonds have been or can be duly and timely obtained and remain in full force and effect, and competitive bids for construction of the Project have been solicited in accordance with Chapter 5, Article 2<sup>d</sup> Section 1 of the Official West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Governmental Agency since the approval and execution and delivery by the Governmental Agency of the Loan Agreement and the Governmental Agency has met all conditions prescribed in all previous loan agreements, if any, entered into between the Governmental Agency and the Authority. There are no outstanding debt obligations of the Governmental Agency, or obligations for which full and irrevocable provision for payment has not been made, which are secured by revenues or assets of the System.

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

Order of County Commission creating Public Service District.

Orders of County Commission appointing current members to Public Service Board.

Certified copies of oaths of office of current members of Public Service Board.

Rules of Procedure of Public Service Board.

Affidavit of Publication of Notice of Borrowing and Petition Form.

Bond Resolution.

Supplemental Bond Resolution.

Minutes on 1986 Organizational Meeting and Adoption of Bond Resolution and Supplemental Bond Resolution.

Loan Agreement.

Supplemental Loan Agreement.

EPA Grant Agreement, as amended.

WDA Grant Agreement.

Marion County Commission Grant Agreement.

Public Service Commission Final Orders entered November 8, 1983, and June 4, 1986.

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Governmental Agency is "Kingmill Valley Public Service District" and it is a public service district duly created by The County Commission of Marion County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Governmental Agency is its Public Service Board consisting of 3 members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Delbert L. Phillips	April 1, 1981	October 1, 1986
John G. Conaway	October 1, 1982	October 1, 1988
Frank R. Kerekes	March, 1985	October 1, 1990

The names of the duly elected, qualified and acting members of the Public Service Board of the Governmental Agency for the calendar year 1986 are as follows:

Chairman - Delbert L. Phillips  
Secretary - John G. Conaway  
Treasurer - Frank R. Kerekes

The duly appointed and acting Attorney for the Governmental Agency is Harry R. Cronin, Jr. of Fairmont, West Virginia.

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

8. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Governmental Agency in any way connected with the construction, acquisition, operation and financing of the Project or the System were authorized or adopted at regular or special meetings of the Governing Body of the Governmental Agency duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including Chapter 6, Article 9A, of the Official West Virginia Code of 1931, as amended, and a quorum of duly elected, qualified and acting members of the Governing Body was present and acting at all times during all such meetings.

9. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Local Act.

10. GRANTS: As of the date hereof, the EPA has committed to the Governmental Agency the approximate amount of \$3,325,428. Said commitment of EPA is as of this date is still in force and effect. The Other Grants are committed to the Issuer and as of this date remain in force and effect.

11. LOAN AGREEMENT: As of the date hereof, (i) the representations of the Governmental Agency contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any

untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iii) to the best knowledge of the undersigned, no event affecting the Governmental Agency has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading.

12. RATES: The Governmental Agency has received an Order of the Public Service Commission of West Virginia entered November 8, 1983, granting a certificate of convenience and necessity for the Project and approving rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges.

13. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Governmental Agency Bonds of the aforesaid issue, all dated June 12, 1986, by his manual signature, and the undersigned Secretary did officially cause the official seal of the Governmental Agency to be imprinted upon each of said Governmental Agency Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Governmental Agency Bonds to a representative of the Authority as the original purchaser of the Governmental Agency Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. GOVERNMENTAL AGENCY BONDS PROCEEDS: On the date hereof the Governmental Agency received from the Authority the agreed purchase price of the Series A Bonds, being \$1,008,657 (100% of par value), and anticipates receipt of the proceeds of the Series B Bonds, being \$81,343 (100% of par value), within 30 days, there being no interest accrued on either series.

15. PUBLICATION AND POSTING OF NOTICE OF BORROWING AND PETITION: The Governmental Agency has published and posted a notice with respect to the acquisition and construction of the Project and issuance of the Governmental Agency Bonds and has provided a petition form permitting registered voters who may be opposed to such acquisition and construction or borrowing to sign such petition, in accordance with Chapter 16, Article 13A, Section 25 of the Official West Virginia Code of 1931, as amended. Less than 50% of the registered voters in the area to be served by the Project have signed such petition.

16. SPECIMEN GOVERNMENTAL AGENCY BONDS: Delivered concurrently herewith are true and accurate specimens of the Governmental Agency Bonds.

WITNESS our signatures and the official seal of KINGMILL VALLEY PUBLIC SERVICE DISTRICT on this 12th day of June, 1986.

[CORPORATE SEAL]

<u>SIGNATURE</u>	<u>OFFICIAL TITLE</u>
<u><i>Robert Phillips</i></u>	Chairman
<u><i>John J. Conway</i></u>	Secretary
<u><i>Vincent A. Collins</i></u>	Attorney for Governmental Agency

06/06/86  
KIM11-N



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

CERTIFICATE AS TO ARBITRAGE

I, DELBERT L. PHILLIPS, Chairman of the Public Service Board of Kingmill Valley Public Service District, in Marion County, West Virginia (the "Governmental Agency"), being one of the officials of the Governmental Agency duly charged with the responsibility for the issuance of \$1,008,657 aggregate principal amount of Sewer Revenue Bonds, Series 1986 A, of the Governmental Agency, dated June 12, 1986 (the "Series 1986 A Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Sections 1.103-13, 1.103-14 and 1.103-15 of the Income Tax Regulations (the "Regulations") promulgated under Section 103(c) of the Internal Revenue Code of 1954, as amended ("Section 103(c)"). I am one of the officers of the Governmental Agency charged with the responsibility of issuing the Governmental Agency Bonds. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Governmental Agency.

2. This certificate may be relied upon as the certificate of the Governmental Agency.

3. The Governmental Agency has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer the certification of which may not be relied upon by holders of obligations of the Governmental Agency or that there is any disqualification of the Governmental Agency by the Internal Revenue Service because a certification made by the Governmental Agency contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Governmental Agency in existence on June 12, 1986, the date on which the Series 1986 A Bonds and the Sewer Revenue Bonds, Series 1986 B, of the Governmental Agency, dated June 12, 1986 (the "Series 1986 B Bonds"), are to be physically delivered in exchange for the issue price of the Series 1986 A Bonds; proceeds of the Series 1986 B Bonds are expected to be received approximately 30-60 days after the date hereof (the Series 1986 A Bonds and Series 1986 B Bonds are collectively called herein the "Governmental Agency Bonds"), and to

the best of my knowledge and belief, the expectations of the Governmental Agency set forth herein are reasonable.

5. In the Local Act pursuant to which the Governmental Agency Bonds are issued, the Governmental Agency has covenanted to make no use of the proceeds of the Governmental Agency Bonds which would cause the Governmental Agency Bonds to be "arbitrage bonds" within the meaning of the Regulations or Section 103(c).

6. The Governmental Agency Bonds were sold on June 12, 1986, to the West Virginia Water Development Authority (the "Authority") for a purchase price of \$1,008,657 (100% of par).

7. The Governmental Agency Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) refunding a portion of the Sewerage System Construction Notes, Series 1983, of the Governmental Agency (the "Notes") issued to temporarily finance part of the costs of acquisition and construction of certain new sanitary sewage facilities (the "Project") and (ii) paying additional costs of acquisition and construction of the Project. The remainder of such costs have been or are expected to be paid from a grants from the United States Environmental Protection Agency ("EPA") in the amount of \$3,325,428 and other grants.

8. The Governmental Agency has, prior to delivery of the Governmental Agency Bonds, entered into agreements which require the Governmental Agency to expend in excess of \$100,000 on the Project. The Governmental Agency expects that acquisition, construction and equipping of the Project will proceed with due diligence to completion, and that all of the proceeds from the sale of the Governmental Agency Bonds will be spent on or before December 1, 1986.

9. The total cost of the Project is estimated at \$5,656,378. The amount of Project costs not expected to be reimbursed or paid from the EPA grant or other grants is estimated to be at least \$1,764,188. Except for the proceeds of the grants described in paragraph 7 above, tap fees estimated in the amount of \$143,228, interest earnings estimated in the amount of \$484,880, reimbursements estimated in the amount of \$36,080 and revenues estimated in the amount of \$10,000, no other funds of the Governmental Agency will be available to meet costs of the Project, and no balances are available to meet such costs in any account which may, without legislative or judicial action, be invaded to pay such expenditures without a legislative, judicial or contractual requirement that such account be reimbursed.

10. Pursuant to Article V of the Local Act, the following special funds or accounts have been created:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Bond Construction Trust Fund;

(4) Series 1986 A Bonds Sinking Fund, and within the Series 1986 A Bonds Sinking Fund, the Series 1986 A Bonds Reserve Account; and

(5) Series 1986 B Bonds Sinking Fund, and within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account.

11. Pursuant to Article VI of the Local Act the proceeds of the Governmental Agency Bonds will be deposited as follows:

(1) From proceeds of the Governmental Agency Bonds the sum of \$1,008,657 shall be deposited in the Notes Debt Service Fund established by the Indenture pursuant to which the Notes were issued, and applied to payment of the Notes.

(2) The balance of the proceeds of the Governmental Agency Bonds will be deposited in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project, including issuance and related costs and payment of the Refunding Notes.

12. All moneys in the Sinking Funds (including any income earned thereon) will be used solely to pay principal of and interest on the Governmental Agency Bonds and will not be available to meet costs of construction of the Project.

13. Except for the Sinking Funds (including the Reserve Accounts established therein), there are no other funds or accounts established or held by the Governmental Agency which are reasonably expected to be used to pay debt service on the Governmental Agency Bonds or which are pledged as collateral for the Governmental Agency Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Governmental Agency Bonds, if the Governmental Agency encounters financial difficulties.

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, will be sufficient to pay the costs of acquisition and construction of the Project as set forth in the application submitted to Authority on the date of the Loan Agreement.

14. The Governmental Agency expects that no part of the Project financed by the Bonds will be sold prior to the last maturity date of the Governmental Agency Bonds.

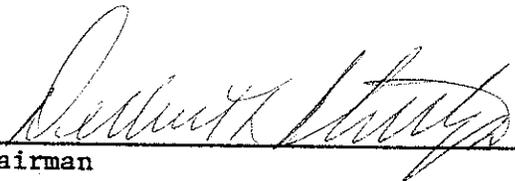
15. At least 85% of the spendable proceeds of the Governmental Agency Bonds will be expended on the Project within 24 months from the date of issuance thereof.

16. Any money deposited in a sinking funds for payment of the principal of or interest on the Governmental Agency Bonds (other than the Reserve Accounts) will be spent within a 13-month period beginning on the date of receipt.

17. The original proceeds of the Governmental Agency Bonds will not exceed the amount necessary for the purposes of the issue.

18. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

IN WITNESS WHEREOF, I have set my hand this 12th day of June, 1986.

  
Chairman

06/06/86  
KIMI1-0



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

ENGINEER'S CERTIFICATE

I, James W. Saunders, Jr., Registered Professional Engineer, West Virginia License No. 5678 of Bernard G. Sampson Company, Inc., Consulting Engineers, Fairmont, West Virginia, hereby certify as follows:

1. My firm is engineer for the construction and acquisition of certain public service properties for the collection and transportation of sewage and industrial wastes (the "Project") for Kingmill Valley Public Service District in Marion County, West Virginia (the "Governmental Agency"). Certain costs of such construction and acquisition are being permanently financed in part by proceeds of the above-captioned bonds (the "Governmental Agency Bonds") and out of certain grant proceeds from the United States Environmental Protection Agency ("EPA") and others.

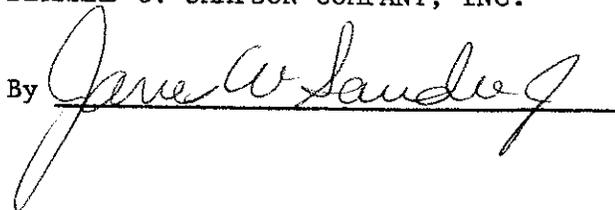
2. The undersigned hereby certifies that (i) the Project has been and will be constructed in accordance with the approved plans, specifications and designs prepared by my firm, as described in the Applications submitted to the West Virginia Water Development Authority (the "Application") and approved by all necessary governmental bodies and is situate wholly or chiefly within the boundaries of Kingmill Valley Public Service District; (ii) the Project is adequate for the purpose for which it was designed; and (iii) my firm has examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project and all bids for construction of the Project have been received in an amount and otherwise compatible with the plan of financing described in the Application and has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and has verified such insurance policies or binders and such bonds for accuracy and completeness; (iv) the Governmental Agency has obtained all permits required by the laws of the State of West Virginia and the United States of America necessary for construction of the Project, including permits from the EPA and the West Virginia Department of Natural Resources; (v) the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed; (vi) the useful life of the facilities constituting the Project is not less than 40 years; (vii) the rates and charges for the sewerage system of the Governmental Agency comply with the applicable provisions of

the Loan Agreement and Supplemental Loan Agreement [including subsection 4.1(b)(ii), thereof] by and between West Virginia Water Development Authority and the Governmental Agency; and (viii) the net proceeds of the Governmental Agency 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 in full the Notes at or prior to the maturity thereof and the remaining costs of acquisition and construction of the Project as set forth in the Application.

WITNESS my signature on this 12th day of June, 1986.

BERNARD G. SAMPSON COMPANY, INC.

By

A handwritten signature in cursive script, appearing to read "Jane W. Sandberg", is written over a horizontal line. The signature is written in dark ink and is positioned to the right of the word "By".

07/10/86  
KIMI1-P



**GARY K. BENNETT**

CERTIFIED PUBLIC ACCOUNTANT

TELEPHONE (304) 368-4295

311-B DEVENY BUILDING  
FAIRMONT, WV 26554

June 12, 1986

Kingmill Valley Public Service District  
Sewer Revenue Bonds,  
1986 Series A and Series B

West Virginia Water Development Authority  
1201 Dunbar Avenue  
Dunbar, West Virginia 25065

Gentlemen:

Based upon the rates and charges as approved by the Public Service Commission of West Virginia in Case No. 83-342-S-CN and projected operation and maintenance expenses as furnished to me by Bernard G. Sampson Company, Inc., and based upon the projected customer usage furnished to me by the District's Consulting Engineer, it is my opinion that such schedule of rates and charges will be sufficient to provide revenues which, together with other revenues of the District, will pay all operation and maintenance expenses and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the captioned bonds to be issued to the Water Development Authority and all obligations of the District secured by or payable from the revenues of the system prior to or on a parity with such bonds.

Very truly yours,



Gary K. Bennett  
Certified Public Accountant



IN RE: ORDER FIXING A DATE FOR HEARING ON THE CREATION OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT, FOR SEWERAGE SERVICE.

On this 14<sup>th</sup> day of ~~April~~<sup>MAY</sup>, 1966, at a regular session of the Court came Harry R. Cronin, Jr., Attorney-at-Law, representing a group of legal voters and real property owners residing within Union District, Marion County, West Virginia, and presented a petition signed by \_\_\_\_\_ residents who are legal voters and property owners of the above described area and moved the Court to fix a date for hearing on the creation of the proposed public service district.

Upon consideration whereof the Court is of opinion that a hearing should be held and it is ORDERED, ADJUDGED and DECREED that a hearing be held to consider the creation of the proposed public service district, on ~~17<sup>th</sup>~~<sup>JUNE</sup> 17<sup>th</sup>, 1966, at 10:00 o'clock A. M. DST, in the office of the County Court of Marion County. It is further ordered that this Court publish a notice as provided by law fixing the date of hearing.

Enter this 14<sup>th</sup> day of ~~April~~<sup>MAY</sup>, 1966.

Oliver L. Dill  
John M. Wadsworth  
Charles J. Knight

County Commissioners  
of Marion County,  
West Virginia

Friday Morning  
June 8, 1973

Court sat in regular session pursuant to its adjournment of yesterday. Present: Jess Borowski, President; and Betty Gill, Commissioner, two of the Commissioners of the said Court.

The proceeding of yesterday were read in open Court and approved.

Frank Mascara, Prosecuting Attorney, gave his approval for the Marion County Court to sign the Kingmill Valley Public Service District order that should have been entered May 4, 1966, creating the district, but is to be entered now for then. Harry R. Cronin, Jr., attorney for the Kingmill Valley Public Service District, was also present.

COURT ORDER

At 10:00 o'clock A. M. on May 27th, 1966, the full court being present, met to hold a public hearing on the matters presented in the petition for the creation of a Public Service District for sewerage purposes pursuant to duly published notice and properly posted notices of such hearing. Several interested citizens who reside in the Pleasant Valley area of Union District in this county attended this hearing. The Court proceeded to hear the statements of those persons present both for and against the proposed creation of said Public Service District. All of those persons presenting evidence to this Court appeared to be in favor of the creation of this sewerage service district and no arguments were presented by any person heard against the creation of this proposed Public Service District.

The Court upon consideration of the matters presented in the petition and upon consideration of all of the statements made by those persons present at the hearing is of the opinion to and does hereby create a Public Service District for sewerage services to be known as Kingmill Valley Public Service District and to be located in Union District, Marion County, West Virginia, as shown on the map attached to the petition and more particularly bounded and described as follows:

Beginning at the intersection of the center lines of Robinson Run and the Tygart Valley River and running thence down the river with its center line 22,000 feet more or less to the corporation line of the City of Fairmont; thence down the said river with the said corporation line 8,000 feet more or less to the intersection of the said center line and City line with the extended line of the South bank of the West Fork River; thence with the said extended line of the said West Fork River in a southeasterly direction 400 feet more or less to its intersection with the East bank of the Monongahela River; thence with said East bank of the Monongahela River and the City limit line of the City of Fairmont down the river 5,000 feet more or less to a point where said corporation line leaves the said river bank; thence with the said City of Fairmont corporation line S. 54° 30' E. 3,800 feet more or less to a corner; thence leaving the said City of Fairmont and running by an arbitrary line across Union District S. 20° 00' E. 5,000 feet more or less to a point in the center line of Robinson Run; thence down the said run with its center line in a southerly direction 6,000 feet more or less to the beginning. The area described lies within Union District, Marion County, West Virginia, and contains Five (5) square miles more or less.

From and after the date of this order said Public Service District shall have all of the authority vested in Public Service Districts in accordance with the provisions of Chapter 16, Article 13A, Section 3 of the Official Code of West Virginia and any subsequent amendment thereto and shall be a public corporation and political subdivision of this State with power of perpetual succession.

Enter: as May 27, 1966 this 12th day of April, 1973

/s/ Jess Borowski, President  
/s/ Betty Gill  
County Court of Marion County,  
West Virginia

Box 186  
Idamay, W. Va.  
April 29, 1973

IN THE COUNTY COURT OF MARION COUNTY, WEST VIRGINIA

COURT ORDER

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extended line of the South bank of the West Fork River; thence with the said extended line of the said West Fork River in a southeasterly direction 400 feet more or less to its intersection with the East bank of the Monongahela River; thence with said East bank of the Monongahela River and the City limit line of the City of Fairmont down the river 5,000 feet more or less to a point where the said corporation line leaves the said river bank; thence with the said City of Fairmont corporation line S. 54° 30' E. 3,800 feet more or less to a corner; thence leaving the said City of Fairmont and running by an arbitrary line across Union District S. 20° 00' E. 5,000 feet more or less to a point in the center line of Robinson Run; thence down the said run with its center line in a southerly direction 6,000 feet more or less to the beginning. The area described lies within Union District, Marion County, West Virginia, and contains Five (5) square miles more or less.

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ENTER: As May 27, 1966 this  
12th day of April, 1973.

*John B. ...*

*Bill Hill*  
County Court of Marion County,  
West Virginia

STATE OF WEST VIRGINIA

COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, Clerk of the Marion County Commission, in the State of West Virginia, and as such Clerk, having the care and custody of the records of the Police & Fiscal matters of said Commission of said County, do hereby certify that the foregoing is a true and accurate copy of the Order creating the Kingmill Valley Public Service District, "entered as of May 27, 1966 this 12th day of April, 1973"

as the same appears of record in my office in Police & Fiscal Volume 46, at pages 472 and 473 thereof

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Commission, at the City of Fairmont, in said County and State, this 19<sup>th</sup> day of December, 1983.

Janice Cosco  
Clerk of The Marion County Commission  
Marion County, West Virginia.



Wednesday

April 29, 1981

The Marion County Commission sat in regular session. Present: Commissioner Raymond Prozzillo and Commissioner Jess Borowski.

Commissioner Borowski called the meeting to order.

The minutes of Tuesday, April 28, 1981, were read and approved, as read.

Commissioner Prozzillo moved that the rates for Wave-Tek Pool (attached hereto) as set out in Memo/dated April 29, 1981, by Frank Cimino, Park Superintendent and Pool Director, be approved by the Commission. Commissioner Borowski seconded the motion. The motion carried.

Commissioner Prozzillo moved that Samuel David Priester, Rt.7, Box 312, Fairmont, be employed as Dog Warden to start on May 1, 1981, at the minimum wage with all County benefits, for a six (6) months probationary period, to come out of Dog Warden Funds. Commissioner Borowski seconded the motion. The motion carried. This motion has the unanimous approval of the Commission.

Commissioner Prozzillo moved that the following persons be appointed to serve on the Kingmill Valley Public Service District:

Delbert L. (Butch) Phillips  
Randy Glasscock  
John Conaway

Term Expires:  
Oct. 1, 1986  
Oct. 1, 1984  
Oct. 1, 1982

Commissioner Borowski seconded the motion. The motion carried.

Dolores Albina Raspa appeared before the Commission upon Petition for Appointment as Guardian for Frank Kozul, a mentally handicapped person. Also present was Carol A. Arnett.

(Over)

Wednesday  
April 29, 1981

Dolores Albina Raspa, having been first duly sworn, testified that: Her address is 129 GilBob St., Fairmont, W.Va.; that Frank Kozul is her father and he is 90 years of age; that her father, Frank Kozul, resides at 122 Watson Ave.; that he can not read or write and is partially blind; that he is unable to care for himself and is almost immobile; and that it would be in the best interests of Frank Kozul that she (Dolores A. Raspa) be appointed Guardian of Frank Kozul, a mentally handicapped person; that her two brothers and one sister have no objection to this Petition.

Exhibits presented:

1. Petition for Appointment as Guardian by Dolores A. Raspa.
2. Notice served on Frank Kozul.
3. Affidavit of Joseph T. Mallamo, M. D.
4. Affidavit of Grace M. Reynolds, M. D.

Said Exhibits are attached hereto and made a part of these minutes.

Commissioner Borowski stated - It is the decision of this Commission that Dolores A. Raspa be appointed as Guardian of Frank Kozul, a mentally handicapped person, and that the Bond be posted at \$5,000.00.

The Commission recessed.

STATE OF WEST VIRGINIA

COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, Clerk of the Marion County Commission, in the State of West Virginia, and as such Clerk, having the care and custody of the records of \_\_\_\_\_  
Police & Fiscal \_\_\_\_\_ of said County, do hereby certify that the foregoing is a true and accurate copy of  
Minutes of a Regular Session of the Marion County  
Commission held on April 29, 1981, reappointing  
Delbert L. Phillips to the Kingmill Valley Public  
Service District Board, for a term expiring on  
October 1, 1986, and Oath of Office,  
as the same appears of record in my office in \_\_\_\_\_  
Police & Fiscal Book No. 51, at page 215, and Oath Book No.  
11, at page 111.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court, at the City of Fairmont, in said County and State, this 13th day of ~~April~~ October, 1983.

Janice Cosco  
Clerk of The Marion County Commission  
Marion County, West Virginia.

By Ethel M. Skisora  
Deputy.

Tuesday

October 26, 1982

The Marion County Commission sat in regular session. Present: President Betty Gill, and Commissioner Raymond Prozzillo.

President Gill called the meeting to order.

The minutes of Friday, October 22, 1982, were read and approved, as read.

President Gill welcomed the persons who were present in behalf of the Kingmill Valley Public Service District, and called upon Mr. Delbert Phillips, Chairman, and spokesman for the members.

Mr. Delbert Phillips, Chairman of the Board for said public service district, stated that the vacancy on the Board of Directors of the Kingmill Valley Public Service District was filled at the public meeting, duly advertised, held on October 24, 1982, at 7 P.M., with 26 members present, at which time John G. Conaway was approved, by unanimous vote, for re-appointment as Secretary of the Kingmill Valley Public Service District for a six-year term beginning on October 1, 1982.

Commissioner Prozzillo moved that John G. Conaway be re-appointed as Secretary of the Kingmill Valley Public Service District for a term expiring on October 1, 1988. President Gill seconded the motion. The motion carried.

Project Description by the  
Kingmill Valley Public Service District

Construction of a sewage collection system, pump stations, and river crossings that will connect with the Fairmont regional wastewater treatment plant. The Kingmill Valley system will serve residents of Kingmont, Benton's Ferry, Millersville and Pleasant Valley.

Tuesday  
October 26, 1982

Mr. Delbert Phillips stated that on Sept. 30, 1982, the District was awarded a \$5 million grant from the U. S. Environmental Protection Agency; that the total estimated cost of this project is \$7.2 million, this leaves \$2.2 million to be raised by state and local sources; that the EPA Grant carries a stipulation that construction must be begun nine months from the acceptance of the grant; that we are here to ask support from the County Commission in search of funds for the local share of this project and to request the Commission to endorse a request for a grant through the Small Cities Program.

President Gill stated that the Commission needs time to study and clear up matters in our mind regarding the project to be assured for funding before making a decision.

The following persons were present in behalf of the Kingmill Valley Public Service District:

- |                                   |                    |
|-----------------------------------|--------------------|
| Randy S. Glasscock                | John G. Conaway    |
| Tom Stevick                       | Joseph R. Phillips |
| Delbert Phillips                  | Guy L. Toothman    |
| George A. Mason                   | E.G. Phillips      |
| Mrs. Paul R. Ferguson (Patricia)  | Adam Weirbonski    |
| Mrs. George G. Foster (Judith L.) | Oscar O. Carpenter |

\* \* \* \* \*

Commissioner Prozzillo moved that the Bid for an automated file Assessor's for the Sheriff's Office be approved in the amount of \$11,700.00, as submitted by Better Business Systems, of Charleston, WV. President Gill seconded the motion. The motion carried.

Let the record note that the Commission has no objections to the vacation request by Samuel E. Ryan on Wednesday, Nov. 10 and Friday, Nov. 12, 1982.

Tuesday  
October 26, 1982

Let the record note that the Commission is pleased to concur with the City of Fairmont and jointly appoint Dr. Mary Jordan and Leona Willard to the Region VI reorganized Health Advisory Committee.

The Commission recessed.

\* \* \* \* \*

11:10 A.M.

The Marion County Commission reconvened in regular session.  
Present: President Betty Gill, Commissioner Raymond Prozzillo, and Commissioner Jess Borowski.

President Gill stated that the purpose for reconvening the Commission meeting relates to the Sheriff's vehicles.

Commissioner Prozzillo moved that the Bid by Urse Dodge, dated October 18, 1982, for two (2) 1982 Diplomat-4 Dr. Cruisers be purchased at the price of \$17,070.00 for the Sheriff's Dept. President Gill seconded the motion. President Gill stated: "All in favor of said motion, say 'I'. All three Commissioners said 'I'. The motion carried.

The Commission recessed.

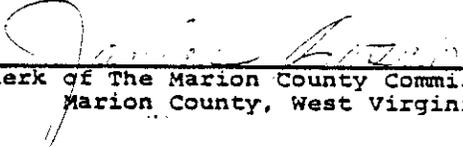
STATE OF WEST VIRGINIA

COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, Clerk of the Marion County Commission, in the State of West Virginia, and as such Clerk, having the care and custody of the records of Police & Fiscal matters of said Commission of said County, do hereby certify that the foregoing is a true and accurate copy of ~~the Order appointing Delbert L. (Butch) Phillips, Randy Glasscock (resigned) and John Conaway, to serve on the Kingmill Valley Public Service District Board,~~

as the same appears of record in my office in Police & Fiscal Volume No. 51, page page 215 thereof.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Commission, at the City of Fairmont, in said County and State, this 9<sup>th</sup> day of December, 1983.

  
Clerk of The Marion County Commission  
Marion County, West Virginia.

Friday

March 1, 1985

The Marion County Commission sat in regular session. Present: Commissioner Betty Gill and Commissioner Raymond Prozzillo.

Commissioner Gill, as Acting President, called the meeting to order.

The minutes of Wednesday, February 27, 1985, were read and approved, as corrected and amended.

Commissioner Prozzillo moved that Commissioner Gill, as Acting President, be authorized to sign the legal notice for bids for the restoration project for the Circuit Court Division I and Division II offices to be published in the Fairmont Times. Commissioner Gill seconded the motion. The motion carried.

Commissioner Prozzillo moved that Commissioner Gill, as Acting President, be authorized to sign the letter dated February 25, 1985, from Paul Crabtree, Administrative Director of the Courts, amending the agreement dated July 6, 1984, between the Marion County Commission and the Administrative Director of Courts, relative to the employment of a processor for the Magistrate Court Worthless Check Fund. Commissioner Gill seconded the motion. The motion carried.

Let the record note that both Commissioners present signed the order wherein the salary of the processor for Worthless Checks paid from the Magistrate Court Worthless Check Fund, be increased to \$750.00 per month effective February 1, 1985, and increased to \$850.00 per month effective August 1, 1985, in compliance with the agreement dated July 6, 1984, as amended by letter dated February 25, 1985.

Friday  
March 1, 1985

Let the record note that the Commission has no objections to the request by the Sheriff in letter dated March 1, 1985, to purchase a new Royal 410 typewriter from Dodson & McCutcheon at \$525.00.

Commissioner Prozzillo moved that the Commission accept the resignation of Allen Smith as recommended by the Colfax Public Service District, because Mr. Smith has moved out of state. Commissioner Gill seconded the motion. The motion carried.

Commissioner Prozzillo moved that Michael Parlett be appointed as Board member of the Colfax Public Service District, for the unexpired term of Allen Smith, which expires on November 23, 1985. Commissioner Gill seconded the motion. The motion carried.

XK Commissioner Prozzillo moved that Frank Kerekes who was re-elected by the residents of the Kingmill Valley Public Service District, be re-appointed to a term on the Kingmill Valley Public Service District, expiring on October 1, 1990. Commissioner Gill seconded the motion. The motion carried.

Commissioner Prozzillo moved that Robert Kent from Mannington be re-appointed to the Benedum Airport Authority for a three-year term commencing on March 1, 1985. Commissioner Gill seconded the motion. The motion carried.

Let the record note that an Order dated February 4, 1985, has been received from the W. Va. Commissioner of Highways wherein the use of the following bridge is prohibited to all trucks and commercial vehicles exceeding 18,000 pounds:

MARION COUNTY, DISTRICT FOUR

Bridge No. 25-33/2-0.55 on County Route 33/2 located 0.29 mile west of County Route 76/1, spanning Reuben Run.

Friday  
March 1, 1985

Let the record note that the fully-executed Mentor Customer Support Agreement for licensed software for the Public Payroll/ Personnel System, for the 12 months period from January 31, 1985, has been received.

Let the record note that under date of February 27, 1985, Glen B. Gainer, Jr., State Auditor, certified the apportionment of values of public utility property located in Marion County and Municipalities for the Fiscal Year 1985-86.

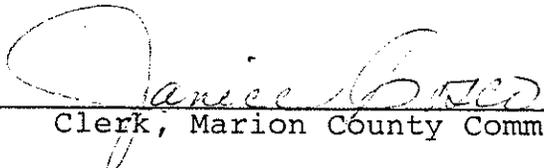
Let the record note that the Commission will not meet next Tuesday and Wednesday, March 5 and 6, 1985; the Commissioners will be attending the National Association of Counties Legislative Conference in Washington, D. C.

The Commission recessed.

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

I, Janice Cosco, Clerk of the Marion County Commission do hereby certify that the foregoing writing is a true and accurate copy as appears of record in my office in Police & Fiscal Book No. 53, at Page 428, of said records.

Given under my hand and Seal of said Office this  
11th day of June, 1986.

  
Clerk, Marion County Commission



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State of West Virginia, S.S.:

I, .....John G. Conaway....., do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of .....Kingmill Valley Public Ser. Dist., Board Member.....

.....  
to the best of my skill and judgment. So help me God.

*John G. Conaway*

Subscribed and sworn to before me, .....Janice Cosch, Clark.....

..... in and for said county, this .....18th..... day of  
.....May..... 19.....83

.....  
By ..... Deputy

**State of West Virginia, S.S.:**

I, Delbert L. Phillips, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Board Member of Kingmill Public Service Dist.

to the best of my skill and judgment. So help me God.

*Delbert L. Phillips*

Subscribed and sworn to before me, Janice Cosco, Clerk, Marion County

in and for said county, this 15th day of

May 1981

*Janice Cosco*  
*Deputy*

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State of West Virginia, S.S.:

I, .....Frank R. Kerekes....., do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of .....member of the board of the Kingmill Valley Public Service.....  
.....District..... Term to expire Oct. 1, 1984.....  
to the best of my skill and judgment. So help me God.

*Frank R. Kerekes*.....

Subscribed and sworn to before me, .....Janice Cosco.....  
.....County Clerk..... in and for said county, this .....15th..... day of  
.....August..... 1983.....

*Janice Cosco*  
*Robert P. Conway Deputy*

STATE OF WEST VIRGINIA

COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, Clerk of the Marion County Commission, in the State of West Virginia, and as such Clerk, having the care and custody of the records of the Police & Fiscal matters of said Commission of said County, do hereby certify that the foregoing is a true and accurate copy of the oaths of John G. Conaway, Delbert L. Phillips and Frank R. Kerekes, Board Members of the Kingmill Valley Public Service District,

as the same appears of record in my office in Oaths Book No. 11, at pages 245, 111 and 266, respectively,

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Commission, at the City of Fairmont, in said County and State, this 9<sup>th</sup> day of December, 1983.

Janice Cosco  
Clerk of The Marion County Commission  
Marion County, West Virginia.



RULES OF PROCEDURE

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

ARTICLE I

Name and Place of Business

Section 1. Name: KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Section 2. The principal office of this Public Service District will be located at 2245 Maple Drive, Fairmont, West Virginia 26554.

Section 3. The Common Seal of the District shall consist of two concentric circles between which circles shall be inscribed Kingmill Valley Public Service District, and in the center "seal" as follows:

Section 4. The fiscal year of the District shall begin the 1st day of July in each year and shall end on the following June 30.

ARTICLE II

Purpose

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended.

ARTICLE III

Membership

Section 1. The members of the Public Service Board of this District shall be those persons appointed by the County Commission of Marion County, who shall serve for such terms as may be specified in the order of the County Commission.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County

Commission and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission of the pending termination and request the County Commission to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

#### ARTICLE IV

##### Meetings of the Public Service Board

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the \_\_\_\_\_ of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, two members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Notice to members by letter or telephone shall be required for regular meetings. Notice in writing of each special meeting of the membership shall be given to all members by the Secretary by mailing the same to the last known post office addresses of the members at least three (3) days before the date fixed for such meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

##### Public Notice of Meetings

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended, notice of the time and place of all regularly scheduled sessions of such public service board, and the time, place and purpose of all special sessions of such public service board shall be made available to the public and news media as follows:

A. A notice shall be posted by the Secretary of the public service board of such Public Service District at the front door of the \_\_\_\_\_ County Courthouse of the time and place fixed and entered of record by the public service board for the holding of regularly scheduled sessions. If a particular regularly scheduled session is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the front door of the Courthouse as soon as feasible after such cancellation or postponement has been determined upon.

B. A notice shall be posted by the Secretary of the public service board at the front door of the County Courthouse at least ~~60 days~~ <sup>60 days</sup> hours before a special session is to be held, stating the time, place and purpose for which such special session shall be held. If the special session is cancelled, a notice of such cancellation shall be posted at the front door of the Courthouse as soon as feasible after such cancellation has been determined upon.

C. The form of notice for posting as to a special session may be generally as follows:

PUBLIC SERVICE DISTRICT

Notice of Special Session

The public service board of \_\_\_\_\_ Public Service District will meet in special session on \_\_\_\_\_, 19\_\_\_\_, at \_\_\_\_\_ .m., E\_\_T, at \_\_\_\_\_, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Authorizing Resolution providing for the issuance of a \_\_\_\_\_ Bond, Series \_\_\_\_\_, of \_\_\_\_\_ facilities of the District.

2.

\_\_\_\_\_  
Secretary

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

ARTICLE V

Officers

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

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in the month of January of such year. The Officers so elected shall serve until the next

annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected as hereinabove provided.

## ARTICLE VI

### Duties of Officers

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

Section 2. If the Chairman is absent from any meeting, the remaining members of the Board shall select a temporary chairman.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. He shall, together with the Chairman, sign the minutes of the meetings at which he is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other writings and papers of the Board. He shall also perform such other duties as he may have under law by virtue of his office or as may be conferred upon him 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 him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board.

## ARTICLE VII

### Amendments to Rules of Procedure

These Rules of Procedure may be altered, changed, amended or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members

when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.



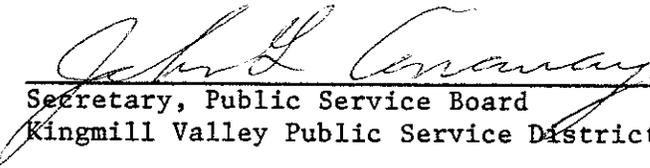
MINUTES OF ORGANIZATIONAL MEETING FOR CURRENT YEAR

On January 7, 1986, a meeting was held at Fairmont, West Virginia, to nominate and reelect officers for the year 1986 for Kingmill Valley Public Service District Board.

The meeting was called to order by Chairman, Delbert L. Phillips, and the following people were nominated and elected to the following offices:

Chairman	-	Delbert L. Phillips
Secretary	-	John G. Conaway
Treasurer	-	Frank R. Kerekes

After business of electing officers was completed, the motion was made and seconded that the meeting be adjourned.

  
Secretary, Public Service Board  
Kingmill Valley Public Service District

09/16/86  
KIMI1-W



**AFFIDAVIT OF PUBLICATION**

Nº 1449

**State of West Virginia  
County of Marion, to-wit:**

I, Joyce Ann Police, being first duly sworn upon my oath,

do depose and say that I am Legal Clerk of THE TIMES-WEST VIRGINIAN a corporation, publisher of the newspaper entitled THE TIMES-WEST VIRGINIAN an Independent 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 daily except Saturday and Sunday, for at least fifty weeks during the calendar year, in the Municipality of Fairmont, Marion County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforementioned municipality and Marion 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 or 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 was duly published in said newspaper once a week for two successive weeks (Class II), commencing with the issue of the 3 day of May 19 86, and ending with the issue of the 10

day of May 19 86, and was posted at the front door of the Marion County Court

House on the 3 day of May 19 86; that said annexed notice was published on

the following dates: May 3, 10, 1986

and the cost of publishing said annexed notice as aforesaid was \$53.39

*Joyce Ann Police*

Taken, subscribed and sworn to before me in said county this 10 day of May

19 86.

My commission expires Jan. 24, 1990

*Whisper D. L. Phillips*  
Notary Public of Marion County, West Virginia

**NOTICE IS HEREBY GIVEN** to the residents of Kingmill Valley Public Service District, Marion County, West Virginia, that Kingmill Valley Public Service District contemplates the issuance of its Sewer Revenue Bonds in the aggregate principal amount of not more than \$1,100,000 (the "Bonds"), bearing interest at a rate not to exceed 10 percent and with maturities not to exceed 30 years. The proceeds of which will be used, together with other funds of the District, to repay certain short-term borrowings of the District and to fund additional construction costs for the District's current sewer line project (the "Project"). Residents of the District have previously approved the issuance of such bonds in an amount not to exceed \$800,000, at interest rates not to exceed 12 percent. The District has determined that an additional \$300,000 in bonds will be necessary to pay off the aforesaid prior borrowings and complete the Project. Because the bonds are expected to bear interest at a rate below that which was previously anticipated, an increase in user rates or charges beyond those heretofore approved by the West Virginia Public Service Commission will be required. For a period of 30 days following publication of this Notice, a form will be available in the office of the Clerk of The County Commission of Marion County at the Marion County Courthouse, Fairmont, West Virginia, and in the office of the District, located at 3000 21st Post Office Blvd., Fairmont, West Virginia, for registered voters who are residents of that portion of the District which will be served by the Project to sign indicating their opposition to the District's borrowing money or issuing the Bonds upon the terms or for the purpose stated herein. These forms will be available during regular business hours. West Virginia Code, Chapter 14, article 13A, Section 25, which authorizes such form, provides for the signing of such form only by registered voters who are residents of that portion of the District which will be served by the Project.

s/s: Deibert L. Phillips  
Chairman, Public Service Board  
Kingmill Valley PSD  
Times, May 3, 10, 1986.

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

Joyce Ann Police

being first duly sworn upon my oath,

Legal Clerk

do depose and say that I am \_\_\_\_\_ of THE TIMES-WEST VIRGINIAN a corporation, publisher of the newspaper entitled THE TIMES-WEST VIRGINIAN an independent 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 daily except Saturday and Sunday, for at least fifty weeks during the calendar year, in the Municipality of Fairmont, Marion County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforementioned municipality and Marion 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 or 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 \_\_\_\_\_ was duly published in said newspaper once a week for two successive weeks (Class \_\_\_\_\_), commencing with the issue of the 1 day of July 19 83, and ending with the issue of the 8 day of July 19 83, and was posted at the front door of the Marion County Court

house on the 1 day of July 19 83; that said annexed notice was published on the following dates: July 1, 8, 1983

and the cost of publishing said annexed notice as aforesaid was \$115.92  
*Joyce Ann Police*  
8 day of July

Taken, subscribed and sworn to before me in said county this 9 83  
Jan. 24, 1990

My commission expires \_\_\_\_\_  
*Whitney H. Board*  
Notary Public of Marion County, West Virginia

...to the residents of Marion County, West Virginia...  
...to acquire, construct, operate and maintain certain public service properties...  
...the "Project" in Kingmill Valley Service District...  
...will seek approval from the West Virginia Commission of Convenience and Necessity...  
...to construct the Project and for approval of the rates and proposed financing arrangements set forth herein...  
...The District contemplates financing the Project...  
...through the issuance of its Sewer Revenue Bonds in the aggregate principal amount of approximately eight million dollars (\$8,000,000) (the "Bonds")...  
...bearing interest at a rate not to exceed 12 percent and with a term not to exceed 40 years...  
...and in part from a grant from the United States Environmental Protection Agency and other grants...  
...Prior to issuance of the bonds, the District contemplates the issuance of its Sewerage System Construction Notes in the aggregate principal amount of approximately Seven Million Dollars (\$7,000,000) (the "Notes")...  
...bearing interest at a rate not to exceed 12 percent per annum...  
...and with maturities not to exceed 36 months...  
...Public service properties to be acquired and constructed are:  
1. A sanitary sewer collection system consisting of approximately 72,000 linear feet of sewer mains ranging in size from four inches to ten inches in diameter, together with approximately 245 manholes and all other necessary appurtenances.  
2. A sanitary sewer collection system consisting of eight pump stations, approximately 34,000 linear feet of sewer mains ranging in size from four inches to ten inches in diameter, together with approximately 225 manholes and all other necessary appurtenances.  
3. One river crossing under the Monongahela River and three river crossings under the Tygart Valley River...  
...The anticipated rates to be charged by the District for sewer service are:  
SCHEDULE NO. 1  
Applicability  
Applicable inside and outside the boundaries of the applicant district.  
Availability  
Available for metered domestic, commercial and industrial sewer service, except unusual industrial waste.  
Rate  
Each 1,000 gallons used per month \$3.10 per 1,000 gallons  
Minimum Bill  
\$6.20 per month  
Delayed Payment Penalty  
The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10 percent) will be added to the net amount thereof. This delayed penalty is not interest and is to be collected only once for each bill where it is appropriate.  
SCHEDULE NO. 2  
Applicability  
Applicable inside and outside the boundaries of the District.  
Availability of Service  
Available for sanitary sewer service to unmetered water users and users who obtain water from wells.  
Flat Rate (3,500 gallons) \$10.85 per month.  
Delayed Payment Penalty  
The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10 percent) will be added to the net amount thereof. This delayed penalty is not interest and is to be collected only once for each bill where it is appropriate.  
Bi-Monthly or Quarterly Billing  
The above rate schedule may be billed on a bi-monthly or quarterly basis, provided there is no reduction in rates.  
SCHEDULE NO. 3  
Applicability  
Applicable inside and outside the boundaries of the District.  
Service Connection Fee \$200.  
SCHEDULE NO. 4  
SURCHARGE FORMULA TO BE APPLIED IN THE CASES OF USERS PRODUCING UNUSUAL WASTE  
The charge for the treatment of unusual waste will be calculated on the basis of the following formulas:  
C1 equals Vov1 + B0B1 + S0S1  
C1 equals charge to unusual users per year  
V0 equals average unit cost of transport and treatment chargeable to volume, in dollars per gallon  
V1 equals Volume of waste water from unusual users, in gallons per year  
B0 equals average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound  
S0 equals average unit cost of treatment (including sludge treatment) chargeable to total suspended solids, in dollars per pound  
If equals weight of total solids from unusual users, in pounds per year  
An unusual user is to be defined as a preliminary study of

sewer and treatment thereof...  
...and be made...  
...of the Kingmill Valley Public Service District...  
...should not be introduced into the sewer system...  
...need not be handled by it...  
...The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefor...  
...based upon the formula set out above...  
...Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year...  
...based on the investigation...  
...The cost of establishing the monitoring facilities shall be paid by the unusual user...  
...Based on these audited figures...  
...additional billings covering the past fiscal year will be made for payment by each unusual user...  
...or returned given by the Kingmill Valley Public Service District...  
...as the case may be...  
...Such audited figures will then be used for the preliminary billing for the fiscal year...  
...at the end of which an adjustment will be made as aforesaid.  
SCHEDULE NO. 5  
APPLICABLE INSIDE AND OUTSIDE OF THE CORPORATE LIMITS OF THE KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
Where the amount of sanitary sewage discharged into the sewer system by certain industrial plant or plants cannot be accurately determined by the use of the plant's water meter or meters and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Kingmill Valley Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.  
Residents of that portion of the public service district to be served by the Project who wish to register opposition to the issuance of the Bonds or the Notes may do so by signing a form available for that purpose, which will be maintained for a period of 30 days from the date thereof in the office of the Clerk of the County Court in the office of Marion County and in the office of Kingmill Valley Public Service District, 201 Pleasant Valley Road, Fairmont, West Virginia.  
Times: July 1 & 8, 1983



KINGMILL VALLEY PUBLIC SERVICE DISTRICT  
Minutes - June 10, 1986

The Kingmill Valley Public Service District Board met on June 10, 1986 on the second floor of Fairmont's Main Post Office Building at 4:30 pm. Present were Delbert Phillips, Frank Kerekes, and John Conaway, members; Tom Stevick, grant manager; Fran Whiteman, manager; and Vince Collins, representing Steptone and Johnson.

Vince Collins presented to the Board the Resolutions for the Sewer Revenue Bonds.

Frank Kerekes moved and seconded by John Conaway the following Resolution: "Resolution authorizing the acquisition and construction of public sewerage facilities of Kingmill Valley Public Service District and the financing of the cost, not otherwise provided, thereof through the issuance by the District of not more than \$1,100,000.00 in aggregate principal amount of sewer revenue bonds, Series 1986 A and not more than \$100,000.00 in aggregate principal amount of sewer revenue bonds, Series 1986 B, 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". Passed. (the complete Resolution in the Minute Book)

John Conaway moved and seconded by Frank Kerekes the following Resolution: "Supplemental Resolution providing as to dates, maturities, interest rates principal payment schedules, sale prices and other terms of the Sewer Revenue Bonds, Series 1986 A and Series 1986 B, of Kingmill Valley Public Service District; authorizing and approving a loan agreement and supplemental loan agreement relating to such bonds and the sale and delivery of such bonds to West Virginia Water Development Authority; designating a Registrar, paying agent and depository Bank; and making other provisions as to the Bonds". Passed. (the complete Resolution in the Minute Book)

Mr. Collings stated July 1, 1986 two(2) months interest must be paid. About \$16,000. On motion the following Resolution was passed: "The District shall indemnify each Director and Officer of this District, to the fullest extent now or hereafter permitted by law and upon the authorization of such persons as may be required by law, against any and all liabilities, costs, or expenses actually and reasonably incurred by him in connection with any the right of this District or otherwise by reason of the fact that he is or was such Director or Officer of this District. Persons who are not Directors or Officers of this District may be similarly indemnified to the fullest extent now or hereafter permitted by law and as authorized at any time by the Board of Directors. The provisions of this resolution shall inure to the benefit of the heirs, executors and administrators of persons entitled to indemnify hereunder. The foregoing rights of indemnification shall not be exclusive of any other rights to which any such person, his heirs, executors and administrators may be entitled as a matter of law". Passed.

The John Laratta case was discussed. A meeting with Mr. Cronin, Jr. will be held Monday, June 16.

The following loose ends must be resolved -- Bond closing, Laratta case, ADTEC Contract, Haught case, Final Payment, and other financial matter.

On motion the Board approves payment for operating outlays covering the month of May in the amount of \$10,601.58. Passed.

WORK SESSION IS JUNE 24, 1986. Next REGULAR MEETING IS JULY 8, 1986.

Adjournment was 6:08 PM.

*John G. Conaway*  
Secretary 6/11/86



CONTRACT  
FOR TREATMENT BY THE CITY OF FAIRMONT  
OF SEWAGE FROM  
KINGMILL VALLEY PUBLIC SERVICE DISTRICT

THIS CONTRACT made as of the 1st day of June, 1981, by and between the CITY OF FAIRMONT, a municipal corporation, hereinafter designated as CITY, the SANITARY SEWER BOARD OF THE CITY OF FAIRMONT, hereinafter designated as BOARD, and KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a political subdivision of Marion County, State of West Virginia, hereinafter designated as DISTRICT,

WITNESSETH THAT:

WHEREAS, the State of West Virginia has ordered and directed the CITY to install secondary treatment facilities and necessary interceptors and pumping facilities in connection therewith; and

WHEREAS, the CITY, acting through the BOARD, is in the process of upgrading its facilities so as to provide secondary treatment to meet State and Federal requirements of eligibility for construction grant aid as set forth in PL 92-500, Title 40, Chapter 1, Subchapter B, Part 35, State and Local Assistance, and amendments thereto; and

WHEREAS, the DISTRICT is presently in the process of planning a sewer system to abate the discharge of sewage into streams in the DISTRICT and its area of service, and

WHEREAS, the DISTRICT desires to connect to the sewer system of the CITY at mutually agreed upon locations along the Tygar Valley and Monongahela Rivers, and to have its sewage treated by the CITY in accordance with applicable water quality standards; and

WHEREAS, the CITY, acting through the BOARD, intends to construct new secondary sewage treatment facilities with a capacity reserved for treatment of the DISTRICT'S sewage, and

WHEREAS, it is the intent of the parties hereto, that the CITY shall accept sewerage from the DISTRICT and transport it to the CITY'S treatment plant for treatment in accordance with the standards established in the CITY'S NPDES permit and in such a manner that the DISTRICT will be held harmless in any second party action relating to effluent quality, and

WHEREAS, it is the intent and purpose of the parties hereto to comply with all regulations to abate pollution in their respective areas and to cooperate with each other, and with the State and Federal Authorities to reduce and prevent pollution of the streams and waterways, thereby protecting the health of the inhabitants and serving the public health and welfare of all;

NOW THEREFORE, in consideration of these recitals, the parties hereto agree to proceed in cooperation with each other, and to use their best efforts to plan, finance, construct and operate sewage facilities which will accomplish the aforesaid objectives according to the following terms, conditions and considerations:

1. All acts required of the CITY by reason of this CONTRACT shall be performed for and on behalf of the CITY by the BOARD which shall have sole authority over the construction and operation of the CITY'S sewage facilities. The BOARD shall perform all acts and make all such rules and regulations as may be necessary from time to time for the proper and efficient operation of the sewage facilities for the benefit of the CITY, the DISTRICT and other users.

2. The DISTRICT intends to plan and cause to be constructed at its sole cost, an interceptor and collector sewer system meeting generally accepted sanitary engineering standards, which will collect from its area and transmit sanitary sewage (without excessive infiltration and inflow of surface drainage) to the CITY'S sanitary sewer system, all in accordance with current and future guidelines as promulgated by Federal and State Authorities. It is the present intention of the parties that the DISTRICT will be responsible for the maintenance and operation of its sewer system and that the DISTRICT will establish user charges sufficient at all times to pay when due, proper charges for services rendered by the CITY to the DISTRICT.

3. The BOARD intends to cause its secondary treatment facility to be designed with additional capacity of not less than five hundred seventy thousand gallons daily (0.570 MGD) reserved for treatment of the DISTRICT'S sewage, exclusive of any sewage delivered by the BOARD to the DISTRICT, and to receive, treat and dispose of the sanitary sewage delivered to it by the DISTRICT at points to be mutually agreed upon, which sewage is to be metered at the sole cost of the DISTRICT in a manner and with equipment satisfactory to the BOARD.

4. The charges made to the DISTRICT by the BOARD for providing the services contemplated hereunder shall be, in the first instance, established by the BOARD in accordance with fair cost accounting and allocation principles, with the objective that the BOARD will recover from the DISTRICT its costs, both capital (including required bond service coverages) and operating, incurred in making service available and providing service to the DISTRICT, without requiring other users of the system to subsidize capital or operating costs incurred by the BOARD for the purpose of serving the DISTRICT. Rates charged by the BOARD to the DISTRICT will be established and subsequently amended from time to time as necessary pursuant to the provisions of Chapter 16, Article 13 and Chapter 24, Article 2 of the West Virginia Code, as amended. All such rates, when established in accordance with procedures promulgated by the Legislature of the State of West Virginia, and of any regulating or other agency or authority having jurisdiction in such matters, shall automatically, upon proper adoption and notice to the DISTRICT, become an amendment to this CONTRACT without further action by the parties hereto. In the event the DISTRICT elects at any time to pay the BOARD

for all or any part of its share of the capital cost of facilities constructed to the DISTRICT'S benefit, the DISTRICT may do so and rates charged to the DISTRICT by the BOARD will be promptly adjusted accordingly.

The CITY and the BOARD will, after service to the DISTRICT is in effect, provide the DISTRICT, at least annually, with:

(i) A copy of the BOARD'S annual report filed with the Public Service Commission of West Virginia,

(ii) A copy of such audited financial statements as the CITY provides for holders of revenue bonds issued by the CITY, payable from revenues of its sewer system,

(iii) A copy of all reports of audit of the BOARD'S records prepared by the BOARD'S auditors or by State or Federal auditors.

The cost of preparing these documents will be allocated to the DISTRICT and to other users of the CITY'S sewer system in accordance with sound public utility accounting principles and will be recovered by the BOARD as a portion of rates charged for service. Upon request from the DISTRICT, the BOARD will cause to be made such other and additional financial information as the DISTRICT may reasonably request, but at the sole cost to the DISTRICT.

5. Each of the parties intend to proceed to cause plans and specifications to be developed for its respective facilities, in cooperation with each other; to seek appropriate regulatory approvals; to seek such federal or other grants and aid as may be available; to plan for the financing of capital costs which are not met by grants in aid; and, at the appropriate time, to seek a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia and such approval of rates as may be necessary to finance these projects and to provide monies for the operating and maintenance costs which will be associated therewith so as to provide service as follows:

(i) By the DISTRICT to its customers,

(ii) By the BOARD to its customers, including the DISTRICT.

6. It is recognized by the parties hereto that the BOARD will be operating the BOARD'S major pumping and treatment facilities for its own benefit and for the benefit of the DISTRICT and other users of the BOARD'S facilities, and, therefore, the parties hereto further agree that the following rights and duties shall be imposed upon the BOARD and the DISTRICT to insure the harmonious coordination of the two projects and to provide the BOARD with the necessary means by which it can verify the proper construction of all facilities contributing sewerage to its treatment plant, regulate the quality of sewage being delivered to the BOARD for treatment, prohibit the introduction of unacceptable wastes into its system, and to require the DISTRICT to immediately take such corrective action as may be necessary to bring it to compliance with the BOARD'S rules, regulations and quality standards:

(i) Rules - the BOARD shall from time to time promulgate rules and regulations regarding the quality of sewage it will treat and the DISTRICT shall at all times comply with these regulations, provided, however, that the BOARD shall adopt no quality standard that discriminates against the DISTRICT or which is more restrictive than is necessary for the proper operation of its plant within its limits of design.

(ii) Inflow and Infiltration - the DISTRICT shall conduct a Sewer System Evaluation Survey (SSES) of its existing sewers, and, to the extent that such survey shows it to be cost effective to do so, all inflow from roof drains, surface drains, storm sewers, catch basins and other structures which may be a source of inflow into the DISTRICT'S system shall be excluded therefrom. Infiltration into the DISTRICT'S system shall not exceed the maximum allowable for the CITY'S existing system as determined by the BOARD'S engineer. The DISTRICT shall maintain its system so that infiltration during operation does not exceed fifteen (15) gallons per capita per day or the initial amount of infiltration allowable at the time the DISTRICT'S system is completed, whichever is greater. Inflow and infiltration into new facilities constructed by the DISTRICT shall conform to levels for such flows established by the BOARD for its facilities.

(iii) Review of plans and specifications - the DISTRICT shall coordinate its design with the BOARD'S engineer. At the time it submits its plans to the reviewing agencies for review, the DISTRICT shall provide the BOARD with one set of its plans and specifications pertaining to the points of connection to the BOARD'S system including metering facilities for the BOARD'S review and comment, and shall conform to the BOARD'S design requirements pertaining to the construction and operation thereof.

(iv) Connection to the BOARD'S sewer system - the DISTRICT shall connect the DISTRICT'S system to the CITY'S system and provide suitable facilities for metering the flow of sewage from the DISTRICT into the CITY'S system at the DISTRICT'S expense.

(v) Inspection - The BOARD shall, from time to time as it deems necessary, and at the BOARD'S own proper expense, have the right to inspect the DISTRICT'S facilities for the purpose of determining that the DISTRICT'S facilities are being constructed and operated in such a way as to minimize infiltration, to eliminate illegal sources of inflow into the system, to insure that excessive infiltration does not become a future problem and that sources of inflow are not illegally connected at some future time, and to determine to the BOARD'S satisfaction that discharges from the DISTRICT do not contain industrial or other wastes which will detrimentally affect the CITY'S treatment process and facilities. Upon being advised by the BOARD of the presence of excessive inflow or infiltration originating in the DISTRICT'S system, or of the presence of sewage in the DISTRICT'S system which is detrimental to the operation of the BOARD'S facilities, all in accordance with EPA standards,

the DISTRICT shall immediately proceed to correct such deficiencies in the most expeditious manner available.

(vi) Review of operating rules and regulations - The DISTRICT shall submit its rules and regulations and operating procedures to the BOARD for review, and shall adopt no such rules, regulation or operating procedure, which, in the BOARD'S opinion, would affect the operation of the BOARD'S facilities to the detriment of the CITY, the DISTRICT, and the other users of the CITY'S facilities. The DISTRICT shall provide the BOARD with advance copies of any proposed change in its rules and regulations, and the BOARD shall provide the DISTRICT with copies of its rules, regulations and operating procedures for the DISTRICT'S guidance.

7. Approval of contract and tariff - The parties hereto agree that at the appropriate time the Public Service Commission will be asked to approve this CONTRACT and appropriate tariff provisions establishing reasonable rules and regulations for the rendering of the services herein contemplated by the BOARD to the DISTRICT, and of rates and fees to be charged by the BOARD for such services and to be charged by the DISTRICT to provide monies to pay for such services, it being agreed between the parties hereto that each shall take all legislative and administrative action necessary to comply with the Commission's orders relating thereto, and that all such action (including future rate orders) shall be deemed an amendment to this CONTRACT without further action by the parties hereto.

8. BOARD to act under contract - The CITY, the DISTRICT and the BOARD agree that the BOARD is empowered to act for and on behalf of the CITY in all matters relating to this CONTRACT. It is further agreed by all parties hereto that necessary amendments hereto will be promptly made at the appropriate times when Federal and State regulations make such amendments necessary.

9. Points of connection - The BOARD, as part of its construction contract shall construct the necessary gravity sewers, pump stations and force mains, to extend its interceptor system to any point at which the DISTRICT is to connect to the CITY'S system. The DISTRICT'S sewer shall be connected to the CITY'S sewer system at mutually agreed to points along the Monongahela and Tygart Valley Rivers, all at the DISTRICT'S expense and in accordance with the plans and specifications as approved by the BOARD.

10. Whitehall Area sewage - The BOARD shall construct necessary extensions along the Tygart Valley River to receive sewage from the Benton's Ferry area of the DISTRICT and from Whitehall Public Service District as well as from the BOARD'S service area along the river and U. S. Route 250, and shall discharge sewage therefrom into the DISTRICT'S system at Kingmont through connections and metering facilities.

approved by the DISTRICT'S Engineer. The parties hereto agree that their Engineers shall work to coordinate this work. The parties hereto also agree that the BOARD shall charge the DISTRICT for all sewage delivered from the Benton's Ferry area and from the Kingmont metering stations at the BOARD'S rate for such service and that the DISTRICT shall charge the BOARD for all sewage delivered through its metered connection to the DISTRICT'S system in the Kingmont area at the BOARD'S rate for such service and further that the respective rates to be charged for service at all points of connection between the two systems shall be only for the actual cost of rendering such service, including the local share of the captial cost of all system betterments provided to accomodate the benefiting party, and all applicable operating and maintenance costs, and that each party will provide the other with an itemized statement detailing the basis for its charges based on accounting principles acceptable to the Public Service Commission of West Virginia.

11. Completion date - It is understood by the parties hereto that the BOARD will not accept sewage from the DISTRICT, and the DISTRICT understands and agrees that it will not be entitled to service from the BOARD, until the BOARD'S secondary sewage treatment plant, which is to be constructed at the confluence of the Monongahela River and Buffalo Creek, under the BOARD'S Contract "D", has been constructed and placed in service. The estimated time of completion of the Fairmont Secondary Sewage Treatment Plant

is 730 calendar days after the Contractor is given, with EPA's permission, notice to proceed, and the DISTRICT agrees, to the extent possible given the need for agency approval and for State and Federal financial aid, to coordinate the construction schedule for its facilities so that they will come on the line at that time or as soon thereafter as is practical. Due to the involvement of agencies over which neither has control, neither party hereto shall be entitled to damages of any nature by reason of failure to meet completion schedules so long as each shall have proceed to effect completion of its work in a diligent manner.

12. DISTRICT service area - The DISTRICT'S service area is shown on the map attached hereto, which map is made a part of this CONTRACT, and it is agreed that the DISTRICT may extend its facilities within its area of service as the need arises without further consultation with, or consent from the BOARD, provided however, that in the event flows from the DISTRICT exceed those allocated by this CONTRACT by more than tenpercen (10%) for a period of one (1) year, the DISTRICT shall, if the BOARD deems it necessary to do so, then negotiate with the BOARD for a revised treatment quota and costs if the DISTRICT is unable to reduce its flow to within the allowed excess.

13. The DISTRICT shall not accept sewage from, nor shall it extend or allow its facilities to be extended to, any area outside of its service area unless it first obtains the BOARD'S written authorization to do so, which authorization will be forthcoming only after the DISTRICT has first provided the BOARD with full written disclosure of the extent of all such proposed extension of service and the maximum flow which will be generated thereby. Conversely, the BOARD and the CITY agree not

to accept sewage from areas outside the area of study for the CITY'S facility, which area is shown on a map attached hereto and made a part hereof, without the mutual consent of the parties hereto; provided however, that if the DISTRICT has not connected to the CITY'S system within five (5) years from the date hereof and at that time has no active plan for doing so, the BOARD may, if it so desires, then or at any time thereafter, use the excess capacity reserved to the DISTRICT to provide service to other areas and this CONTRACT shall at that time become null and void and the DISTRICT shall have no further rights thereunder, provided however, that the capacity for treatment reserved for the DISTRICT shall be reserved to the DISTRICT'S sole use so long as the DISTRICT has a grant pending from or an active project with the U. S. Environmental Protection Agency.

14. The DISTRICT and the BOARD each agree to compensate the other for their prorata share of the local share of the cost, including interest charges, of all betterments in the other's system required to permit the other to accept, transport and treat the other's sewage, which sums shall be recovered as a part of the respective monthly charges to be made for sewage metered into each system.

15. DISTRICT may cancel - The DISTRICT, upon one (1) years advance written notice to the BOARD, may, if it deems it to be to the DISTRICT'S benefit to do so, terminate and withdraw from this CONTRACT after it has fully compensated the CITY for the then undepreciated cost, as determined by Public Service Commission accounting methods, of all betterments constructed by the CITY for the DISTRICT'S benefit, but the DISTRICT shall not be entitled to recover any property, or to receive any credit for unused capacities in the BOARD'S system or for betterments which the DISTRICT made for the BOARD'S benefit, by reason of such action by the DISTRICT, nor shall it retain any rights to such betterments nor to a renewal of this CONTRACT.

16. Term of contract - Unless terminated as hereinbefore provided, this CONTRACT shall run for twenty (20) years and may be renewed thereafter in ten (10) year increments for an additional twenty (20) years at the DISTRICT'S option, which renewals shall be deemed automatic unless the DISTRICT notifies the BOARD of its desire not to renew, such notice to be given in writing at a regular meeting of the BOARD during the six (6) months preceeding the effective date of each ten (10) year renewal. In the event of notice not to renew, the DISTRICT shall compensate the BOARD for undepreciated betterments as specified in Item 15 next above.

Thereafter, the CONTRACT may be extended by mutual agreement or renegotiated as may be dictated by the then existing needs of the parties hereto.

17. Plant effluent quality - It shall be the duty of the BOARD in the operation of its plant to treat all wastes in such a manner as to produce a plant effluent which is in conformance with the effluent discharge requirement of its NPDES permit, and it is agreed between the parties hereto that the DISTRICT will be held harmless by the CITY and the BOARD in any second party action related to effluent quality, it being understood and agreed between the parties hereto that the DISTRICT shall have no authority or control over the operation of the plant or the quality of the plant's effluent being discharged into the river.

18. DISTRICT ICR and user charge - The DISTRICT agrees that it will comply with all EPA policies pertaining to user charges and industrial cost recovery (ICR) charge, and that it will hold the CITY and the BOARD harmless for any damages which may be proved to have been caused by reason of the DISTRICT'S noncompliance with such policies.

19. Resolution of Controversy - All matters of controversy which may arise concerning compliance of the parties hereto with the provisions of this CONTRACT shall be resolved as follows:

(i) In the event of controversy arising by reason of an illegal discharge, or other illegal act by the DISTRICT, which may place the BOARD'S facilities or treatment process in jeopardy to the extent that substantial damages will result to the BOARD'S facilities, or that the BOARD will not be able to render treatment to the degree required by its discharge permit, the BOARD shall first notify the DISTRICT orally followed immediately by notice in writing hand delivered to the DISTRICT of the nature of the problem and of its potential impact on the BOARD'S operation, and requesting an immediate response as to what remedial action will be taken. Thereafter the BOARD may:

(a) If time permits, obtain a court order requiring the DISTRICT to immediately discontinue such illegal discharge or other act, or

(b) If the BOARD deems that time is of the essence in preventing extensive damage to its facilities or the disruption of its treatment process, the BOARD may then, after first notifying the DISTRICT by person and in writing, of its intentions and the reason therefor, stop the flow of sewage from the DISTRICT into the BOARD'S system, it being further agreed that

(c) The DISTRICT shall pay all of the cost of correction of any damage which the BOARD can show to have been the result of such illegal flow or other illegal act by the DISTRICT.

(ii) In the event of a controversy pertaining to rates and charges, such matters shall be resolved in accordance with the rules of the U. S. Environmental Protection Agency and of the West Virginia Public Service Commission as they may pertain thereto.

20. The CITY agrees, that at the DISTRICT'S request, it will attend to the operation, maintenance, meter readings, billing and collections for the DISTRICT, under a management contract, lease or other arrangement, with the cost of said services to be paid by the DISTRICT to the CITY, any such management contract, lease or other arrangements being deemed an amendment hereto.

IN WITNESS WHEREOF, the City of Fairmont has caused this CONTRACT to be signed on its behalf by Edwin C. Daley, City Manager, and its corporate seal to be affixed thereto by Lena C. West, its City Clerk, by authority of a resolution of the City Council of the City of Fairmont duly adopted on the 30th day of June, 1981, and

IN WITNESS WHEREOF, the Sanitary Sewer Board of the City of Fairmont

has caused this CONTRACT to be signed on its behalf by Edwin C. Daley, its Chairman and its seal to be affixed thereto by Clayton Goodman, III, its Secretary, by authority of a resolution of the Sanitary Sewer Board adopted on the 25<sup>th</sup> day of June, 1981, and

IN WITNESS WHEREOF, the Kingmill Valley Public Service District has caused this CONTRACT to be signed by Delbert L. Phillips, its Chairman, and its corporate seal to be affixed thereto by John G. Conaway, its Secretary, by authority of a resolution of the District Board duly adopted on the 1st day of June, 1981.

This CONTRACT is executed in three (3) copies with one (1) copy to each party hereto, each copy of which shall be deemed an original for all purposes.

THE CITY OF FAIRMONT,  
a Municipal Corporation

SEAL

By: Edwin C. Daley  
Edwin C. Daley, City Manager

ATTEST:

Lena C. West  
Lena C. West, City Clerk

SANITARY SEWER BOARD OF THE CITY OF  
FAIRMONT

SEAL

By: Edwin C. Daley  
Edwin C. Daley, Chairman

ATTEST:

Clayton Goodman, III  
Clayton Goodman, III, Secretary

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

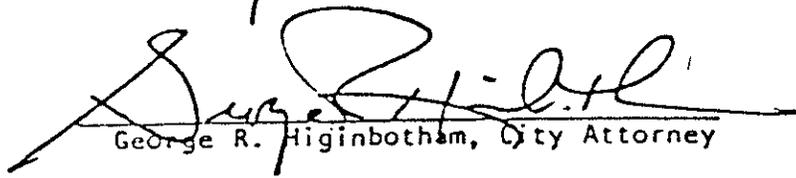
SEAL

By: Delbert L. Phillips  
Delbert L. Phillips, Chairman

ATTEST:

John G. Conaway  
John G. Conaway, Secretary

Approved as to correctness of form and content for the City of Fairmont this the 14<sup>th</sup> day of July, 1981.

  
George R. Higinbotham, City Attorney

Approved as to correctness of form and content for the Sanitary Sewer Board of the City of Fairmont this the 26 day of June, 1981.

  
George W. May, Its Attorney

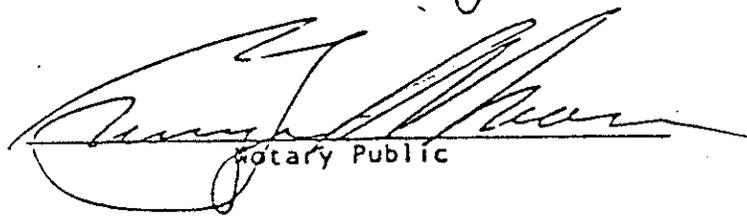
Approved as to correctness of form and content for the Kingmill Valley Public Service District this the 1<sup>st</sup> day of JUNE, 1981.

  
Harry R. Cronin, Jr., Its Attorney

STATE OF WEST VIRGINIA

COUNTY OF MARION, TO-WIT:

I, George A. Mason, a Notary Public in and for the State and County aforesaid, certify that Edwin C. Daley, Lena C. West, Clayton Goodman, III, Delbert L. Phillips, John G. Conaway, George R. Higinbotham, George W. May and Harry R. Cronin, Jr., whose names are signed to the CONTRACT FOR TREATMENT BY THE CITY OF FAIRMONT OF SEWAGE FROM KINGHILL VALLEY PUBLIC SERVICE DISTRICT, Marion County, West Virginia, entered into by the City of Fairmont, the Sanitary Sewer Board of the City of Fairmont and Kingmill Valley Public Service District, and dated the 1st day of June, 1981, have acknowledged the same before me in my said County this the 26<sup>th</sup> day of June, 1981.

  
Notary Public

My Commission Expires:

April 14, 1986

CONTRACT FOR SERVICE AMENDMENT  
BETWEEN  
CITY OF FAIRMONT  
FAIRMONT SANITARY BOARD  
AND  
KINGMILL VALLEY PUBLIC SERVICE DISTRICT

This is an amendment to the Contract For Treatment by the City of Fairmont of Sewage from the Kingmill Valley Public Service District dated June 1, 1981, between the City of Fairmont (CITY), Fairmont Sanitary Board (BOARD) and the Kingmill Valley Public Service District (DISTRICT).

Purpose

The purpose of this amendment is to clarify the sharing of capital costs between the parties hereto for sewers, lift stations, and treatment plant improvements constructed or to be constructed by the BOARD to convey wastewater from the DISTRICT and to treat the wastewater at the BOARD's treatment plant and for the sharing of capital costs for sewers constructed by the DISTRICT to convey wastewater flows from the BOARD's system.

Sewer Cost Sharing

The BOARD has previously decided that the most equitable policy on sewer capital cost sharing for the DISTRICT would be on the basis of the DISTRICT paying the additional capital costs required to provide a larger sewer for the DISTRICT's wastewater flow as opposed to cost sharing of total capital costs on a flow proportional basis.

Accordingly, this AMENDMENT provides for agreement by the parties hereto that the DISTRICT will pay the BOARD the additional capital costs for constructing all sewers carrying DISTRICT wastewater flow when the sewer size is increased over and above that required for BOARD wastewater flows. For instance, if an 8" sewer is required for BOARD wastewater flows and it is necessary that the sewer be 10" to accommodate DISTRICT wastewater flows, the DISTRICT's responsibility is to pay for the additional costs for the 10" sewer as compared to the 8" sewer alone.

Lift Station Cost Sharing

This AMENDMENT provides for agreement hereto that the DISTRICT will pay the BOARD the additional capital costs for constructing all lift stations that pump DISTRICT wastewater flow when the lift station size is increased over and above that required for BOARD wastewater flow. It is anticipated that these capital costs would be for the oversizing of pumps, electrical service, piping, etc. and would not necessarily apply to the station structure, landscaping, fencing or access road.

Treatment Plant Cost Sharing

This AMENDMENT provides for agreement hereto that the DISTRICT will pay the BOARD its proportionate share of the capital costs for the treatment plant based on the percentage of total plant capacity reserved for the DISTRICT. The reserved capacity and percentage for capital cost sharing between all parties using the plant shall be as follows:

<u>Parties</u>	<u>Reserved Capacity</u>	<u>Actual Percentage</u>	<u>Cost Sharing Percentage</u>
Fairmont (BOARD)	4.93 MGD	82.17%	86.0%
Barrackville	0.24 MGD	4.00%	3.1%
Kingmill Valley P.S.D.	0.57 MGD	9.50%	7.5%
Whitehall P.S.D.	0.26 MGD	4.33%	3.4%
Total	6.00 MGD	100.00%	

The cost sharing percentage as set forth above is consistent with the BOARD's policy for allocating cost on the basis of the additional incremental cost to construct a larger facility. The cost sharing percentages are as determined by the BOARD's engineer in the report "Wastewater Treatment Project Cost and Financing City of Fairmont and Satellites" revised January, 1980.

Cost Sharing For Sewers Constructed by DISTRICT

This AMENDMENT provides for agreement by the parties hereto that the BOARD will pay the DISTRICT the additional capital costs for constructing all sewer lines carrying BOARD wastewater flow when the sewer size is increased over and above that required for DISTRICT wastewater flow as provided above for the reverse situation.

Capital Cost

Capital costs as referred to herein include all proportionate costs, as determined above, associated with engineering, construction, legal, accounting and bond issues (including interest and coverage) of the BOARD for the construction of sewers, lift stations and the treatment plant. The difference in construction costs for sewers and lift stations to be paid by the DISTRICT will be determined by the BOARD to the extent practical by actual construction bids. In the event bid prices are not available, the difference to be paid will be based on estimates prepared by the BOARD's consulting engineer.

Payment

Payment by the DISTRICT to the BOARD may be made in a lump sum amount to be agreed upon by the parties in accordance with the above following completion of construction of BOARD's facilities, or, at the DISTRICT's option, payment may be prorated in accordance with fair cost accounting principles and included in the regular billing by the BOARD to the DISTRICT for operation and maintenance of the BOARD's facilities on behalf of the DISTRICT all as provided in the CONTRACT dated June 1, 1981.

IN WITNESS WHEREOF, the City of Fairmont has caused this CONTRACT AMENDMENT to be signed on its behalf by Edwin C. Daley, City Manager, and its corporate seal to be affixed thereto by Lena C. West, its City Clerk, by authority of a resolution of the City Council of the City of Fairmont duly adopted on the 15<sup>th</sup> day of December, 1981, and

IN WITNESS WHEREOF, the Sanitary Sewer Board of the City of Fairmont has caused this CONTRACT AMENDMENT to be signed on its behalf by Edwin C. Daley, its Chairman and its seal to be affixed thereto by Frances Schapperle, its Secretary, by authority of a resolution of the Sanitary Sewer Board adopted on the 10th day of December, 1981, and

IN WITNESS WHEREOF, the Kingmill Valley Public Service District has caused this CONTRACT AMENDMENT to be signed by Delbert L. Phillips, its Chairman, and its corporate seal to be affixed thereto by John G. Conaway, its Secretary, by authority of a resolution of the District Board duly adopted on the 24th day of February, 1982.

This CONTRACT AMENDMENT is executed in three (3) copies with one (1) copy to each party hereto, each copy of which shall be deemed an original for all purposes.

THE CITY OF FAIRMONT,  
a Municipal Corporation

By: Edwin C. Daley  
Edwin C. Daley, City Manager

ATTEST:

Lena C. West  
Lena C. West, City Clerk

SANITARY SEWER BOARD OF THE CITY OF  
FAIRMONT

By: Edwin C. Daley  
Edwin C. Daley, Chairman

ATTEST:

Frances Schapperle  
Frances Schapperle, Secretary

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: Delbert L. Phillips  
Delbert L. Phillips, Chairman

ATTEST:

John G. Conaway  
John G. Conaway, Secretary





UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION III  
6TH AND WALNUT STREETS  
PHILADELPHIA, PENNSYLVANIA 19106

CERTIFIED MAIL

Re: C-540245-03  
Kingmill Valley PSD

OCT 7 1982

*Received 10/14/82  
S. J. King*

Mr. Delbert L. Phillips  
Chairman  
Kingmill Valley P.S.D.  
2245 Maple Drive  
Fairmont, West Virginia 26554

Dear Mr. Phillips:

We are pleased to inform you of the award of a Step III Federal grant for the construction of a collection and interceptor system which will transport wastewater from the Whitehall and Kingmill Valley Public Service Districts to the Fairmont, West Virginia regional treatment facility, as described in your application and approved by the West Virginia Department of Natural Resources.

The grant award is for an amount not to exceed \$5,055,520, and is subject to the conditions set forth in Part III of the Assistance Agreement.

Copies of the applicable Code of Federal Regulations, 40 CFR, Parts 30 and 35, are forwarded for your reference.

The original and a copy of the Assistance Agreement are enclosed. The original copy of the Agreement should be signed and returned to Mr. Frank Snock, Chief, Grants Management Section, within twenty-one days of your receipt. The copy should also be signed and retained for your files.

The Huntington District U.S. Army Corps of Engineers will be assisting both the State and this Office in administering Step III program activities of this grant. Should you desire to communicate with the Corps, you may reach Mr. Wesley King at 304/529-5282.

Sincerely yours,

Greene A. Jones, Director  
Water Management Division

Enclosures

cc: Mr. Warren Means, WVDNR  
Mr. Edgar Henry, WDA  
Bernard G. Sampson Co., Inc.  
Mr. Wesley King, COE

SPECIAL CONDITIONS (CONTINUED)

4. Sewer Use Ordinance and User Charge System

The grantee agrees to adopt its sewer use ordinance and implement its user charge system before the treatment works is placed in operation (40 CFR 35.2208).

5. Project Performance

The grantee agrees to certify to the Regional Administrator on the date one (1) year after the initiation of operation whether the project is capable of meeting the project performance standards [40 CFR 35.2214(d)].

6. Segmented Project

Since the Kingmill Valley Public Service District (PSD) interceptor system will transport wastewater flows from the EPA funded Whitehall PSD collection and interceptor system to the City of Fairmont at two separate locations, the Kingmill Valley PSD project segments which are essential for conveyance of Whitehall PSD flow shall be given priority for construction in the contract documents. When the contracts are advertised for bids, the bids shall not be opened until the West Virginia Department of Natural Resources and EPA have reviewed and approved the Kingmill Valley PSD's plan and schedule for priority work which shall be part of the contract documents. Failure to incorporate an approvable plan and schedule for the priority work in the contract documents shall be sufficient cause to withhold EPA grant payments.

7. Subagreements and Contracts

- a. The grantee agrees to negotiate a subagreement and contract for all services to be awarded under this grant. Such subagreements and contracts shall be in conformance with and incorporate the required clauses of 40 CFR Part 33.
- b. A copy of the proposed subagreements and contracts shall be submitted to the Regional Administrator for review and pre-award approval as appropriate under 40 CFR Part 33. The submittal of the proposed subagreements and contracts shall include the procurement records required in Appendix A to 40 CFR Part 33.
- c. The grantee shall submit to the Regional Administrator the proposed subagreement and contract cost or price data on EPA Form 5700-41 or on a form which contains similar information.

PART III-AWARD CONDITIONS

a. GENERAL CONDITIONS:

The recipient covenants and agrees that it will expeditiously initiate and timely complete the project work for which assistance has been awarded under this agreement, in accordance with all applicable provisions of 40 CFR Chapter I, Subpart B. The recipient warrants, represents, and agrees that it, and its contractors, subcontractors, employees and representatives, will comply with: (1) all applicable provisions of 40 CFR Chapter I, Subchapter B, INCLUDING BUT NOT LIMITED TO the provisions of Appendix A to 40 CFP Part 30, and (2) any special conditions set forth in this assistance agreement or any assistance amendment pursuant to 40 CFR 30.425.

b. SPECIAL CONDITIONS:

*(For cooperative agreements include identification or summarization of EPA responsibilities that reflect or contribute to substantial involvement.)*

The grantee is subject to all the requirements of 40 CFR Part 35 Subpart I, Part 30, Part 33, and other pertinent regulations. The grantee is directed to certain following special considerations of those requirements.

1. Regulations Affecting Federal Grant Payments

- a. Payment shall not be made for Step III professional services until the grantee complies with the procurement requirements of 40 CFR Part 33 Subpart A.
- b. The Regional Administrator shall not pay more than 50% of the Federal share unless the grantee has furnished a satisfactory final plan of operation, and shall not pay more than 90% unless the grantee has furnished a satisfactory operation and maintenance manual (40 CFR 35.2206).
- c. Payments shall be made in accordance with 40 CFR 35.2300.
- d. The grantee may submit request for payments in accordance with the PSD's 4/6/82 payment schedule, subject to the limitations of this grant amount.

2. Project Schedule Changes

For any changes in the project which increase the cost, delay or accelerate the project or alter the project in other ways (40 CFR 35.2204), the grantee must receive a formal grant amendment from the Regional Administrator before implementing the changes. Of particular interest is any change in the building completion date as referenced in 40 CFR 35.2216 and the initiation of project operation date. The latter date is considered, at the time of this grant, to be 8/31/84. The grantee further agrees to provide the Regional Administrator, upon request, with a revised schedule for payment.

3. Project Initiation

The grantee agrees to initiate the building of all significant elements of the project within 9 months of the date of this grant award (40 CFR 35.2212). To the extent practicable this initiation should not occur before all sites, easements and rights-of-ways are acquired. The grantee shall notify the Regional Administrator immediately upon award of the contracts.

Continued on Page 3a of 4

SPECIAL CONDITIONS (CONTINUED)

8. Flood Insurance

The grantee agrees to acquire and maintain at his own cost any flood insurance made available to it under the National Flood Insurance Act of 1968, as amended. This condition shall not be applicable if, on the date of execution of this Assistance Agreement by both parties, flood insurance was not available pursuant to the Flood Insurance Act of 1968, as amended, for property in the project location.

9. Land Acquisition

The grantee shall not make any offer to acquire allowable real property until the Regional Administrator approves the price the grantee will offer the property owner (40 CFR 35.2210).

10. Review

The grantee recognizes that approval of any part of this grant, change orders, grant increase amendments, subagreements, any specific items, or eligibility of any other costs will be subject to final review, including project officer review, audit review and final determination of the Grant Approving official.

11. Award Restrictions

No portion of this award may be used for lobbying or propaganda purposes as prohibited by 18 U.S.C. Section 1913 or Section 607(a) of Public Law 96-74.

12. Federal Funding

The grantee agrees that the Federal Government, with this award, does not assume any obligation, commitment or responsibility for funding anticipated or future steps, phases, segments or stages.

13. Completion of Project

The Grantee must complete the treatment works according to the schedule specified in the grant agreement regardless of whether or not grant funding is available for any remaining phases, segments or stages.

U.S. ENVIRONMENTAL PROTECTION AGENCY  
**EPA ASSISTANCE AGREEMENT/AMENDMENT**  
**PART I - ASSISTANCE NOTIFICATION INFORMATION**

1. ASSISTANCE ID NO. **C-0245-03-0**  
 2. LOG NUMBER **Three-C-**  
 3. DATE OF AWARD **SEP 30 1982**  
 4. FUNDING SOURCE **OCT 7 1982**

5. AGREEMENT TYPE  
 Cooperative Agreement  Grant Agreement  Assistance Amendment   
 6. PAYMENT METHOD  
 Advance  Reimbursement  Letter of Credit  
 Send Payment Request To: **Grants Management Section**  
 7. TYPE OF ACTION **Continuation**

8. RECIPIENT  
**Kingmill Valley P.S.D.  
 2245 Maple Drive  
 Fairmont, West Virginia 26554**  
 9. PAYEE  
**Kingmill Valley P.S.D.  
 2245 Maple Drive  
 Fairmont, West Virginia 26554**

EIN NO. \_\_\_\_\_ CONGRESSIONAL DISTRICT **1st**  
 10. RECIPIENT TYPE **Public Service District**

11. PROJECT MANAGER AND TELEPHONE NO.  
**Delbert L. Phillips  
 Chairman  
 304/366-3442**  
 12. CONSULTANT (WWT Construction Grants Only)  
**Bernard G. Sampson Co., Inc.  
 P. O. Box 368  
 Fairmont, West Virginia 26554**

13. ISSUING OFFICE (City/State)  
**Philadelphia, Pennsylvania**  
 14. EPA PROJECT/STATE OFFICER AND TELEPHONE NO.  
**James B. Topsale, Team Leader  
 West Virginia Section  
 215/597-3839**

15. EPA CONGRESSIONAL LIAISON & TEL NO.  
**Patricia Gaskins - 202/382-5184**  
 16. STATE APPL ID (Clearinghouse) **81061019**  
 17. FIELD OF SCIENCE **N/A**  
 18. PROJECT STEP (WWT CG Only) **III**

19. STATUTORY AUTHORITY **Clean Water Act, Title II**  
 20. REGULATORY AUTHORITY **40 CFR Part 35**  
 21. STEP 2 + 3 & STEP 3 (WWT Construction Only)

a. Treatment Level	<b>3</b>
b. Project Type	<b>ICT</b>
c. Treatment Process	<b>D</b>
d. Sludge Design	<b>5</b>

22. PROJECT TITLE AND DESCRIPTION  
**This Step III project is for the construction of a collection and interceptor system which will transport wastewater from the Whitehall and Kingmill Valley Public Service Districts to the Fairmont, W. Va. regional treatment facility. The eligible project include allowable associated costs as defined in 40 CFR 35.2250 up to the amounts shown in Part II of the Assistance Agreement.**  
 23. PROJECT LOCATION (Areas Impacted by Project)

City/Place **Millersville** County **Marion** State **WVA** Congressional District **1st**  
**Bentons Ferry, Kingmont Pleasant Valley**

24. ASSISTANCE PROGRAM (CFDA Program No. & Title) **66.418**  
 25. PROJECT PERIOD **9/82 - 8/84**  
 26. BUDGET PERIOD **N/A**

27. COMMUNITY POPULATION (WWT CG Only) **4,600**  
 28. TOTAL BUDGET PERIOD COST **N/A**  
 29. TOTAL PROJECT PERIOD COST **\$6,740,700**

FUNDS	FORMER AWARD	THIS ACTION	AMENDED TO TOTAL
30. EPA Amount This Action		<b>5,055,520</b>	
31. EPA In-Kind Amount			
32. Unexpended Prior Year Balance			
33. Other Federal Funds			
34. Recipient Contribution			
35. State Contribution			
36. Local Contribution			
37. Other Contribution			
38. Allowable Project Cost		<b>6,740,700</b>	

Program Element	FY	Appropriation	Doc. Control No.	Account Number	Object Class	Obligation/Deoblig. Amount
<b>GDJW80</b>	<b>81-C</b>	<b>68X0103.D</b>	<b>ML2018</b>	<b>FGDJ036006</b>	<b>41.11</b>	<b>\$5,055,520</b>

b. SPECIAL CONDITIONS (Continued)

PART IV

NOTE: The Agreement must be completed in duplicate and the Original returned to the Grants Administration Division for Headquarters awards and to the appropriate Grants Administrations Office for State and local awards within 3 calendar weeks after receipt or within any extension of time as may be granted by EPA.

Receipt of a written refusal or failure to return the properly executed document within the prescribed time, may result in the withdrawal of the offer by the Agency. Any change to the Agreement by the recipient subsequent to the document being signed by the EPA Award Official which the Award Official determines to materially alter the Agreement shall void the Agreement.

OFFER AND ACCEPTANCE

The United States of America, acting by and through the U.S. Environmental Protection Agency (EPA), hereby offers assistance/amendment to the Kingmill Valley Public Service District

for 75 % of all approved costs incurred up to and not exceeding \$ 5,055,520

RECIPIENT ORGANIZATION

ASSISTANCE AMOUNT

for the support of approved budget period effort described in application (including all application modifications)

C-540245-03 - Kingmill Valley Public Service District

included herein by reference.

DATE AND TITLE

ISSUING OFFICE (Grants Administration Office)

AWARD APPROVAL OFFICE

ORGANIZATION/ADDRESS

Environmental Protection Agency  
Grants Management Section (3PM32)  
Curtis Building, 6th & Walnut Streets  
Philadelphia, Pennsylvania 19106

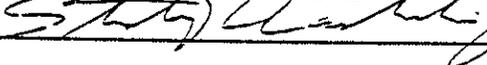
ORGANIZATION/ADDRESS

Environmental Protection Agency  
Water Management Division (3WMOO)  
Curtis Building, 6th & Walnut Streets  
Philadelphia, Pennsylvania 19106

THE UNITED STATES OF AMERICA BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY

SIGNATURE OF AWARD OFFICIAL

TYPED NAME AND TITLE



Peter N. Bibko, Regional Administrator

SEP 30 1982

This Agreement is subject to applicable U.S. Environmental Protection Agency statutory provisions and assistance regulations. In accepting this award or amendment and any payments made pursuant thereto, (1) the undersigned represents that he is duly authorized to act on behalf of the recipient organization, and (2) the recipient agrees (a) that the award is subject to the applicable provisions of 40 CFR Chapter I, Subchapter B and of the provisions of this agreement (Parts I thru IV), and (b) that acceptance of any payments constitutes an agreement by the payee that the amounts, if any found by EPA to have been overpaid will be refunded or credited in full to EPA.

BY AND ON BEHALF OF THE DESIGNATED RECIPIENT ORGANIZATION

SIGNATURE

TYPED NAME AND TITLE

DATE



Delbert L. Phillips, Chairman

October 15, 1982

**TELEGRAPHIC MESSAGE**

NAME OF AGENCY EPA Region III, Curtis Bldg. Philadelphia, PA		PRECEDENCE  ACTION:  INFO:	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED Dec. 23, 1983		TYPE OF MESSAGE <input type="checkbox"/> SINGLE <input type="checkbox"/> BOOK <input type="checkbox"/> MULTIPLE-ADDRESS
FOR INFORMATION CALL			
NAME Maureen Essenthier	<i>(Signature)</i> 12/23/83	PHONE NUMBER 7-2906	
THIS SPACE FOR USE OF COMMUNICATION UNIT  Transmitted Dec. 23, 1983 AM			

MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)

TO:

Re: C-540245-03

Mr. Delbert I. Phillips, Chairman  
Kingmill Valley Public Service District  
2245 Maple Drive  
Fairmont, West Virginia 26554

Dear Mr. Phillips:

The following information is provided to assist the PSD in bond closing.

The "Part B" grant amendment request for the referenced project is approved with minor changes. The revised costs will be reflected in a grant amendment that will be issued by this office in the near future.

EPA agrees not to initiate grant termination procedures for the referenced project for delay in initiation of construction if construction is initiated by January 3, 1984.

Sincerely,

*Dennis P. Carney*  
Dennis P. Carney, Acting Chief  
West Virginia Section  
PA/WV Branch

cc: Tom Stevick-Grants Management Services  
Vincent Collins - Steptoe and Johnson  
Taunja Willis-Miller-Jackson, Kelley,  
Holt and O'Farrell

PAGE NO.		NO. OF PGS.		SECURITY CLASSIFICATION

17A





STATE OF WEST VIRGINIA  
WATER DEVELOPMENT AUTHORITY  
1201 DUNBAR AVENUE  
DUNBAR, WV 25064

(304) 348-3612

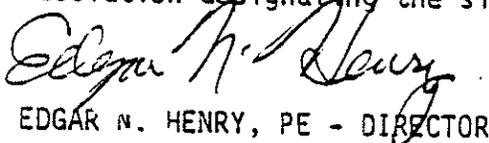
October 6, 1983

CERTIFIED MAIL

Mr. Delbert L. Phillips, Chairman  
Kingmill Valley Public Service District  
2245 Maple Drive  
Fairmont, WV 26554

The West Virginia Water Development Authority (WDA) is pleased to make a hardship grant available to the Kingmill Valley PSD. The WDA hardship grant will normally be paid in a manner similar to EPA grant payments which are based essentially on completion of work. However, hardship grant funds may be made available at the time of repayment of the WDA loan(s) by the entity. If for some reason your project does not proceed into construction, the hardship grant may be terminated. In this case, your project would be held in abeyance awaiting future activity.

The WDA hardship grant is to be for an amount not to exceed \$554,888, assuming that there is no capitalized interest involved. In the event there is capitalized interest or if other factors demonstrate the need for a change in the grant level during construction of the project, the hardship grant may be adjusted up or down to meet that need. The grant is subject to the conditions set forth in the grant agreement and Administrative Regulations. If you desire to participate in the hardship grant program, please sign the enclosed agreement and forward the original and first copy to this office. Also, a copy of the resolution designating the signee of the agreement must be returned.

  
EDGAR N. HENRY, PE - DIRECTOR

- c Senators
- Delegates
- Water Resources Division
- Regional Planning Council
- Economic & Community Development
- Environmental Health Services
- Consulting Engineer
- Young Moore & Company

9. NAME AND TITLE OF AWARD OFFICIAL:

Edgar N. Henry

TITLE:

Director

SIGNATURE:

*Edgar N. Henry*

DATE:

October 6, 1983

STATE OF WEST VIRGINIA, COUNTY OF KANAWHA.

TAKEN, SUBSCRIBED AND SWORN TO BEFORE ME THIS 6th DAY OF October, 1983.

NOTARY:

*Barbara C. Butcher*

COMMISSION EXPIRES:

January 3, 1984

10. NAME AND TITLE OF RECIPIENT:

Mr. Delbert L. Phillips

ORGANIZATION REPRESENTATIVE:

TITLE:

Chairman

SIGNATURE:

*Delbert L. Phillips, Chairman*

DATE:

10/11/83

STATE OF WEST VIRGINIA, COUNTY OF Marion.

TAKEN, SUBSCRIBED AND SWORN TO BEFORE ME THIS 11 DAY OF October, 1983.

NOTARY:

*Thomas R. Hester*

COMMISSION EXPIRES:

1/20/84

NOTE: THE GRANT AGREEMENT MUST BE COMPLETED IN DUPLICATE AND RETURNED WITHIN 30 DAYS AFTER RECEIPT OR AS PROVIDED IN ANY TIME EXTENSION ARRANGED WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY. RECEIPT OF WRITTEN REFUSAL OR FAILURE TO RETURN WITHIN THE 30-DAY PERIOD WILL RESULT IN TERMINATION OF THE GRANT OFFER. NO AMENDMENTS MAY BE MADE TO THE AGREEMENT SUBSEQUENT TO SIGNING BY THE AUTHORITY.

ALL CORRESPONDENCE CONCERNING THIS OFFER AND AGREEMENT SHOULD BE ADDRESSED TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, 1201 DUNBAR AVENUE, DUNBAR, WV 25064.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITYHARDSHIP GRANT AGREEMENT

1. GRANT RECIPIENT (NAME AND ADDRESS):

COUNTY: Marion

Kingmill Valley Public Service District  
2245 Maple Drive  
Fairmont, WV 26554

2. GRANT RECIPIENT REPRESENTATIVE (NAME, TITLE AND ADDRESS):

Mr. Delbert L. Phillips, Chairman  
Kingmill Valley Public Service District  
2245 Maple Drive  
Fairmont, WV 26554

3. GRANT PAYEE (NAME AND ADDRESS):

Kingmill Valley Public Service District  
2245 Maple Drive  
Fairmont, WV 26554

4. APPROVED AMOUNT OF GRANT: \$ 554,886.00

5. PAYMENTS WILL USUALLY BE INITIATED BY THE WDA UPON RECEIPT OF A COPY OF THE EPA APPROVED GRANT PAYMENT REQUEST IN AMOUNTS PROPORTIONATELY SIMILAR TO PAYMENTS MADE BY THE EPA.

ALL GRANTS ARE SUBJECT TO STATE APPROPRIATION AND AVAILABILITY OF FUNDS. CONTRACT SHALL EXTEND UNTIL JUNE 30, 1984, AND IS SUBJECT TO RENEWAL.

6. TYPE OF ACTIVITY FOR WHICH GRANT FUNDS ARE TO BE USED:

Construction of a collection and interceptor system which will transport wastewater from the Whitahall and Kingmill Valley PSDs to the Fairmont regional treatment facility.

7. TOTAL COSTS	\$ 6,740,700
ELIGIBLE COSTS	\$ 6,740,700
FEDERAL (EPA) GRANT AMOUNT (% OF ELIGIBLE COSTS <u>75</u> )	\$ 5,055,520
STATE (WDA) HARDSHIP GRANT AMOUNT (% OF ELIGIBLE COSTS <u>8</u> )	\$ 554,888

8. GRANT OFFER AND ACCEPTANCE:

THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY HEREBY OFFERS A HARDSHIP GRANT TO Kingmill Valley PSD SUCH GRANT NOT TO EXCEED \$ 554,888 FOR SUPPORT OF COSTS DESCRIBED IN THIS GRANT AGREEMENT AND ITS APPLICATION WHICH IS HEREBY MADE A PART OF THIS AGREEMENT.

REPAYMENT OF LOANS. THE GRANT RECIPIENT AGREES TO PROVIDE IMMEDIATE PAYMENT IN FULL OF ANY LOANS OR SERVICE CHARGES DUE THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY IN ACCORDANCE WITH REGULATIONS OF THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY.

TERMINATION. THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RESERVES THE RIGHT TO TERMINATE THIS AGREEMENT UPON GIVING THE RECIPIENT ORGANIZATION NOT LESS THAN SIXTY (60) DAYS PRIOR WRITTEN NOTICE. THE RECIPIENT ORGANIZATION MAY TERMINATE THIS AGREEMENT BY GIVING THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY SIXTY (60) DAYS PRIOR WRITTEN NOTICE. IN THE EVENT SUCH AGREEMENT IS TERMINATED BY THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY PURSUANT TO, AND NOT IN BREACH OF, THE PROVISIONS OF SUCH AGREEMENT, OR BY SUBSEQUENT AGREEMENT OF THE PARTIES, OR IN THE EVENT SUCH AGREEMENT IS TERMINATED BY THE APPLICANT WHETHER OR NOT IN BREACH OF THIS AGREEMENT, THE STATE GRANT WILL BE IMMEDIATELY WITHDRAWN.

SPECIAL PROVISION: THE GRANT RECIPIENT AGREES TO THE FOLLOWING:

Kingmill Valley PSD, DURING THE CONSTRUCTION OF ITS SEWER FACILITY, WILL PROVIDE AND MAINTAIN COMPETENT AND ADEQUATE ENGINEERING AND OVERSEEING SERVICES SATISFACTORY TO THE AUTHORITY COVERING THE SUPERVISION AND INSPECTION OF THE DEVELOPMENT AND CONSTRUCTION OF THE PROJECT AND BEARING THE RESPONSIBILITY FOR ENSURING THAT CONSTRUCTION CONFORMS WITH THE APPROVED FINANCING ARRANGEMENTS, SURVEYS, PLANS, PROFILES, CROSS SECTIONS AND SPECIFICATIONS AND CERTIFYING TO THE AUTHORITY, DURING AND AT COMPLETION OF CONSTRUCTION, THAT FINANCING AND CONSTRUCTION IS IN ACCORDANCE WITH APPROVED FINANCIAL ARRANGEMENTS, SURVEYS, PLANS, PROFILES, CROSS SECTIONS AND SPECIFICATIONS OR APPROVED AMENDMENTS THERETO.

THIS GRANT AGREEMENT IS SUBJECT TO ALL STATUTORY PROVISIONS, ALL GRANT REGULATIONS OF THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND ALL PROVISIONS OF THIS AGREEMENT AND FURTHER IS SUBJECT TO THE CONDITIONS SET FORTH IN GRANT AGREEMENT NO. C-540245-03 CONSUMMATED BETWEEN THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND Kingmill Valley PSD

AND ACCEPTED ON 10-15-82 OFFERED ON 9-30-82

THE RECIPIENT ORGANIZATION AGREES THAT FUNDS AWARDED UNDER THIS AGREEMENT WILL BE USED SOLELY FOR THE PURPOSES OF THE PROJECT AS APPROVED.



# Marion County Commission

RAYMOND PROZZILLO  
Commissioner

JESS BOROWSKI  
Commissioner  
and President

BETTY GILL  
Commissioner

ADMINISTRATIVE ASSISTANT  
TO THE COMMISSION  
JOHN FAZIO

ADDRESS CORRESPONDENCE TO  
SECOND FLOOR COURTHOUSE  
FAIRMONT, WEST VIRGINIA 26554  
(304) 366-1940



July 27, 1979

Mr. Delbert Phillips  
Kingmill Valley Public Service District  
R. F. D. 5, Box 218 A  
Fairmont, WV 26554

Dear Mr. Phillips:

The Marion County Commission, acting in regular session on Friday, July 27, 1979 appropriated the sum of Ten Thousand (\$10,000) Dollars to the Kingmill Valley Public Service District for the procurement of property and rights-of-way as per your request of July 18, 1979.

This Commission is extremely pleased to assist the Kingmill Valley Public Service District with the provision of this vital public service.

We extend to you our full cooperation and best wishes for a successful project execution.

Sincerely,

*Jess Borowski*  
Jess Borowski  
President

*Betty Gill*

Betty Gill  
Commissioner

*Raymond Prozzillo*  
Raymond Prozzillo  
Commissioner

MCC:JF/swn

cc Jack Bish  
John R. Carpenter  
Jo Westfall

C O N T R A C T

THIS AGREEMENT, dated this the 21st day of December, 1979, by and between the MARION COUNTY COMMISSION, a public corporation organized under and operating pursuant to the laws of the State of West Virginia, hereinafter referred to as the COMMISSION, and the KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public non-profit corporation organized under and operating pursuant to the laws of the State of West Virginia, hereinafter referred to as the GRANTEE.

WHEREAS, both the COMMISSION and GRANTEE individually and cooperatively exist as public purpose entities charged with affording and ensuring their respective constituents and clientele the provision of optimum public service; and

{ WHEREAS, the COMMISSION, being cognizant of the opportunity for tangible economies, administrative and technical efficiencies, as well as greater productivity, has delegated to the GRANTEE the responsibility of providing its constituents with responsive and adequate public sewerage disposal; and

WHEREAS, to support the provision of said service the COMMISSION did officially meet on July 27, 1979, and formally appropriated the sum of Ten Thousand (\$10,000.00) Dollars to the GRANTEE for the 1979-1980 fiscal year, that is a period commencing July 1, 1979 and expiring June 30, 1980.

WHEREAS, the COMMISSION, acting in regular session on the 21st day of December, 1979 did authorize Jess Borowski as President to execute this CONTRACT with the GRANTEE for such services and consideration; and

WHEREAS, the governing body of the GRANTEE did officially meet on Thursday the 20th day of May, 1978 and approve the execution of this CONTRACT with the COMMISSION for such services and consideration; and

WHEREAS, the GRANTEE shall be the administrative entity responsible for the lawful effectuation and execution of this CONTRACT; and

WHEREAS, Chapter 8, Article 23, Section 3, of the West Virginia Code provides for intergovernmental agreements and therefore provides for this CONTRACT.

NOW THEREFORE, in consideration of the mutual promises and covenants herein provided, the COMMISSION and GRANTEE agree that:

I.) The COMMISSION shall provide the GRANTEE with the sum of Ten Thousand (\$10,000.00) Dollars in monthly or quarterly installments as agreed upon by the COMMISSION and GRANTEE or in other periodic or lump sum payments as fiscally feasible to the COMMISSION and GRANTEE.

II.) The GRANTEE shall then be responsible for the administration and lawful utilization of said appropriation toward the provision of public sewerage disposal. The GRANTEE shall further, upon execution of this CONTRACT, provide the COMMISSION with a written synopsis of the scope or methodology of implementing said public sewerage disposal as well as respond to periodic inquiries of the COMMISSION during the course of this CONTRACT.

III.) The GRANTEE shall comply, when and where applicable, with the rules and regulations of the United States Government, and/or the Office of Management and Budget, and/or the Department of Treasury and/or the Office of Revenue Sharing relevant to the receipt of federal funds from the COMMISSION; the rules and regulations of the State of West Virginia and/or the State Tax Department relevant to the receipt of Coal Severance funds from the COMMISSION, and the rules of the State of West Virginia and/or the State Tax Department in general which shall include, but not be limited to, Chapter 6, Article 9A and Chapter 7, Article 1, Section 11, of the West Virginia Code.

IV.) The GRANTEE shall provide the COMMISSION a monthly as well as annual financial statement delineating an itemized record of receipts and disbursements of the GRANTEE. The GRANTEE shall further make available to the COMMISSIONS and/or its agents upon request all financial records of the GRANTEE. Finally, the GRANTEE shall, at its own expense, cause to have performed an audit of its finances by the State Tax Departments Chief Inspector or his appointee once every third year or more frequently as may be required by the COMMISSION.

V.) The GRANTEE shall further indemnify and save harmless the COMMISSION from and against all losses and/or claims, demands, payments, suits, recoveries, and judgement of whatever nature or description resulting from the execution of this agreement.

VI.) All privileges, rights, obligations, duties and liabilities of the COMMISSION and GRANTEE shall remain in full force and effect with respect to this CONTRACT for a period commencing upon July 1, 1979 and expiring June 30, 1980. With the exception that upon thirty (30) days written notice, either the COMMISSION or GRANTEE may terminate this CONTRACT and the obligations enumerated herein.

VII.) This CONTRACT shall not be effective until submitted to and approved by the Attorney General of West Virginia, and until filed with both the Clerk of the COMMISSION and State Tax Commissioner.

IN WITNESS WHEREOF, the COMMISSION and the GRANTEE have caused this CONTRACT to be executed in their respective names and have caused their respective seals to be affixed hereunto and attested as of the date first written above.

THE MARION COUNTY COMMISSION

Jess Borowski  
Jess Borowski, President

Joan E. Demus  
ATTEST: Joan E. Demus, Clerk  
Barbara E. Gushale  
Deputy

THE KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Oscar O. Carpenter  
Oscar O. Carpenter, President

Shirley J. Pacana  
ATTEST: Shirley J. Pacana, Secretary



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

ACCEPTANCE OF DUTIES OF REGISTRAR

KANAWHA VALLEY BANK, N.A., a national banking association with principal office in the City of Charleston, West Virginia, hereby accepts appointment as Registrar in connection with Kingmill Valley Public Service District Sewer Revenue Bonds, Series 1986 A and Series 1986 B, both dated June 12, 1986, in the aggregate principal amount of \$1,090,000 and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in the Local Act authorizing issuance of the Bonds.

KANAWHA VALLEY BANK, N.A.

By Charlotte Morgan  
Its Vice President and Trust  
Officer *ASSIST. CORPORATE*  
*TRUST OFFICER*  
*CD cm*

06/06/86  
KIMI1-Q



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

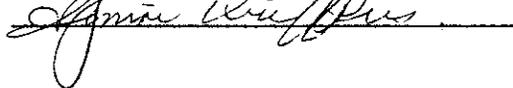
ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

Community Bank and Trust, N.A., a national banking association with principal office in the City of Fairmont, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Kingmill Valley Public Service District adopted June 10, 1986, authorizing issuance of Kingmill Valley Public Service District Sewer Revenue Bonds, Series 1986 A and Series 1986 B, dated June 12, 1986, in the aggregate principal amount of \$1,090,000 (the "Governmental Agency Bonds") and agrees to perform all duties of Depository Bank in connection with such Governmental Agency Bonds, all as set forth in said Resolution.

COMMUNITY BANK AND TRUST, N.A.

By

Its

06/06/86  
KIMI1-R



KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,  
Series 1986 A and Series 1986 B

REGISTRATION OF BONDS

I, Charlotte S. Morgan, Assistant Corporate Trust Officer of Kanawha Valley Bank, N.A., as Registrar under the Local Act and Registrar's Agreement providing for the \$1,090,000 aggregate principal amount of Sewer Revenue Bonds, Series 1986 A and Series 1986 B, of Kingmill Valley Public Service District (the "Governmental Agency"), hereby certify that on the 12th day of June, 1986, (i) the single fully registered Series A Bond of the Governmental Agency in the principal amount of \$1,008,657 designated "Sewer Revenue Bond, Series 1986 A," numbered AR-1, and dated on the date hereof and (ii) the single fully registered Series B Bond of the Governmental Agency in the principal amount of \$81,343. designated "Sewer Revenue Bond, Series 1986 B," numbered BR-1 and dated on the date hereof were both registered as to principal and the AR-1 is registered as to interest in the name of "West Virginia Water Development Authority" in the books of the Governmental Agency kept for that purpose at our office, by a duly authorized officer on behalf of the Kanawha Valley Bank, N.A., as Registrar.

WITNESS my signature as of this 12th day of  
June, 1986.

KANAWHA VALLEY BANK, N.A.

By Charlotte S. Morgan  
Its ASSIST CORPORATE TRUST OFFICER



REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 12th day of June, 1986, by and between KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Governmental Agency"), and KANAWHA VALLEY BANK, N.A., a national banking association (the "Registrar").

WHEREAS, the Governmental Agency has, contemporaneously with the execution hereof, issued and sold its \$1,090,000 aggregate principal amount of Sewer Revenue Bonds, Series 1986 A and Series 1986 B, in fully registered form (the "Governmental Agency Bonds"), pursuant to a Bond Resolution and a Supplemental Bond Resolution both adopted June 10, 1986 (collectively the "Local Act");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Local Act, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Local Act provides for an appointment by the Governmental Agency of a Registrar for the Governmental Agency Bonds; and

WHEREAS, the Governmental Agency desires to appoint, and by the Local Act and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Local Act and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Governmental Agency and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Governmental Agency Bonds, all as set forth in the Local Act, such duties including, among other things, the duties to authenticate, register and deliver Governmental Agency Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the

Governmental Agency Bonds from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Governmental Agency advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Governmental Agency with appropriate records of all transactions carried out by it as Registrar and to furnish the Governmental Agency with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Governmental Agency may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Governmental Agency.

4. The Governmental Agency hereby agrees to indemnify the Registrar against any loss, liability or expense incurred by the Registrar other than liability arising by reason of the bad faith, negligence or willful misconduct of the Registrar, and the Registrar hereby agrees to indemnify the Governmental Agency against any loss, liability or expense incurred by the Governmental Agency by reason of the bad faith, negligence or willful misconduct of the Registrar. Such expense, in either case, shall include the costs and expenses of defending against any claim or liability. Neither the Governmental Agency nor the Registrar shall be liable under or held in breach of this Registrar's Agreement if prevented, hindered or delayed in the performance or observance of any provision of this Registrar's Agreement by reason of any act of God, strikes, lockouts, riots, acts of war, epidemics, government action or regulation imposed after the fact, judicial order, earthquakes, floods, fires or other causes beyond their reasonable control.

5. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Governmental Agency hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

6. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Local Act with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Local Act, the terms of the Local Act shall govern.

7. The Governmental Agency and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Local Act will violate any order, decree or agreement to which it is a party or by which it is bound.

8. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

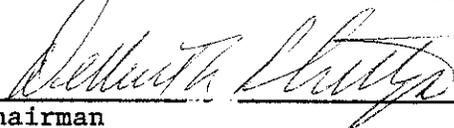
ISSUER: Kingmill Valley Public Service District  
2245 Maple Drive  
Fairmont, West Virginia 26554

AGENT: Kanawha Valley Bank, N.A.  
One Valley Square  
Post Office Box 1793  
Charleston, West Virginia 25301  
Attention: Corporate Trust Department

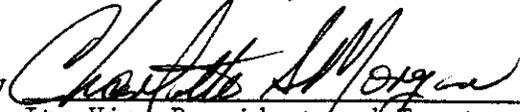
9. The Registrar is hereby requested and authorized to authenticate and deliver the Governmental Agency Bonds in accordance with the Local Act.

IN WITNESS WHEREOF, KINGMILL VALLEY PUBLIC SERVICE DISTRICT and KANAWHA VALLEY BANK, N.A. have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By   
Chairman

KANAWHA VALLEY BANK, N.A.

By   
Its Vice President and Trust  
Officer *ASSIST. CORPORATE*  
*TRUST OFFICER*

06/06/86  
KIMI1-T

EXHIBIT A



**Kanawha Valley Bank NA**

One Valley Square • P.O. Box 1793 • Charleston, West Virginia 25326 • Phone (304) 348-7000

June 12, 1986  
"Our 120th Year"

Chairman  
Kingmill Valley  
Public Service District

Re: Kingmill Valley Public Service  
District - \$1,008,657 Revenue  
Bonds, 1986 Series A

Dear Sir:

Kanawha Valley Bank's fee to serve as Authenticating Agent and Registrar for the above referenced issue is \$500.

Please remit to the attention of the undersigned.

Very truly yours,

Charlotte S. Morgan  
Assistant Corporate  
Trust Officer  
ONE FINANCIAL PLACE

CSM/lis



ASSIGNMENT SEPARATE FROM BOND

FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto Kanawha Valley Bank, N.A., Charleston, West Virginia, the \$1,008,657 Kingmill Valley Public Service District Sewer Revenue Bonds, Series 1986A, numbered AR-1, and standing in the name of the West Virginia Water Development Authority on the books of said Governmental Agency.

Dated: June 12, 1986.

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

  
Authorized Representative

REQUISITION AS TO LOAN TO GOVERNMENTAL AGENCY

TO: KANAWHA VALLEY BANK, N.A., Trustee

- A. Name of Governmental Agency to which payment is to be made: Kingmill Valley Public Service District
- B. Total Amount to be paid: \$1,008,657
- C. Certification by Water Development Authority:

I hereby certify that under the terms and provisions of the Loan Agreement providing for the Loan to the above-captioned Governmental Agency, dated as of May 15, 1986, said Governmental Agency has sold its Local Bonds to the Authority in the principal amount equal to the amount of the Loan set forth in B above, that such Governmental Agency is obligated to make Local Bonds Payments and to pay Fees and Charges in accordance with Section 9.09 of the General Resolution and that such Governmental Agency is not in default under any of the terms or provisions of said Loan Agreement.

I further certify that the Local Bonds Payments will be sufficient to pay interest on and Principal Installments of the Bonds, the proceeds of which were used to fund the Loan Obligation, as such interest and Principal Installments come due.

The above certifications comply with Subsections 6.06(2)(a)(ii) and (v) of the General Resolution.

  
Authorized Representative  
West Virginia Water Development  
Authority

DATE: June 12, 1986