

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)**

BOND TRANSCRIPT

Table of Contents

BASIC DOCUMENTS

1. Bond Resolution
2. [RESERVED]
3. Series 1996 A and Supplemental 1996 B Bond Resolution
4. Series 1996 C Bond Resolution
5. Consent of RUS to Issuance of Parity Bonds
6. Consent of BB&T to Issuance of Parity Bonds
7. Public Service Commission Orders
8. United States Department of Agriculture Loan Resolution
9. Receipt for Bond
10. Specimen Bond

OPINIONS OF COUNSEL

11. Approving Opinion of Steptoe & Johnson PLLC, Bond Counsel
12. Opinion of Counsel to Issuer

CERTIFICATES

13. Combined Certificate of Issuer and Attorney
14. Engineer's Certificate
15. Certificate of Certified Public Accountant

DOCUMENTS OF THE ISSUER

16. County Commission Orders Creating the District
17. County Commission Orders of Appointment of Current Boardmembers
18. Oaths of Office of Current Boardmembers
19. Rules of Procedure
20. Affidavit of Publication on Notice of Meeting to Adopt Bond Resolution
21. Minutes of Current Year Organizational Meeting
22. Excerpt of Minutes on Adoption of Bond Resolution
23. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS

24. United States Department of Agriculture Letter of Conditions and Closing Instructions
25. United States Department of Agriculture Grant Agreement
26. Receipt of Depository Bank

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TAYLOR COUNTY PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)**

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Authority for This Resolution	1
Section 1.02	Findings and Determinations	1
Section 1.03	Bond Legislation Constitutes Contract	3
Section 1.04	Definitions	4
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT		
Section 2.01	Authorization of Acquisition and Construction of the Project	9
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS		
Section 3.01	Authorization of Bonds	10
Section 3.02	Description of Bonds	10
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds	10
Section 3.04	Bond Registrar	11
Section 3.05	Execution of Bonds	11
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	11
Section 3.07	Bonds Secured by Pledge of Net Revenues	12
Section 3.08	Form of Bond	12
	FORM OF BOND	13

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

Section 4.01	Establishment of Funds and Accounts with Depository Bank	19
Section 4.02	Bond Proceeds; Series 2004 A Project Construction Account	19
Section 4.03	Covenants of the Issuer as to System Revenues and Funds	20

**ARTICLE V
GENERAL COVENANTS, ETC.**

Section 5.01	General Statement	25
Section 5.02	Rates	25
Section 5.03	Sale of the System	25
Section 5.04	Issuance of Additional Parity Bonds or Obligations	25
Section 5.05	Insurance and Bonds	26
Section 5.06	Statutory Mortgage Lien	27
Section 5.07	Events of Default	28
Section 5.08	Enforcement	28
Section 5.09	Fiscal Year; Budget	28
Section 5.10	Compensation of Members of Governing Body	29
Section 5.11	Covenant to Proceed and Complete	29
Section 5.12	Books and Records; Audits	29
Section 5.13	Maintenance of System	29
Section 5.14	No Competition	29

**ARTICLE VI
RATES, ETC.**

Section 6.01	Initial Schedule of Rates and Charges; Rules	30
--------------	--	----

**ARTICLE VII
MISCELLANEOUS**

Section 7.01	Payment of Bonds	31
Section 7.02	Modification or Amendment	31
Section 7.03	Delivery of Bonds	31
Section 7.04	Severability of Invalid Provisions	31
Section 7.05	Conflicting Provisions Repealed	31
Section 7.06	Table of Contents and Headings	32
Section 7.07	Covenant of Due Procedure, Etc.	32
Section 7.08	Effective Time	32
	SIGNATURES	32
	CERTIFICATION	33

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$961,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

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

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

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

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of the installation of approximately 26,540 linear feet of 8 inch, 15,205 LF of 6 inch, 13,155 LF of 4 inch, and 10,290 LF of 2 inch water line, construction of one pressure reducing valve station and one altitude valve station, and construction of one 63,000 gallon water storage tank in the Glade Run, Eby Road and Thorton areas of Taylor County, together with all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$1,704,600, of which not more than \$961,000 will be obtained from the proceeds of sale of the Series 2004 A Bonds herein authorized, \$663,600 will be obtained from a grant from the Purchaser, and \$80,000 will be obtained from surplus funds of the Issuer.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), in the aggregate principal amount of not more than \$961,000 (the "Series 2004 A Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2004 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues;

expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2004 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1996 A, dated February 1, 1996, issued in the original aggregate principal amount of \$350,000 (the "Series 1996 A Bonds"), the Water Revenue Bond, Series 1996 B, dated February 1, 1996, issued in the original aggregate principal amount of \$129,000 (the "Series 1996 B Bonds"), both held by United States Department of Agriculture, Rural Utilities Service, and Water Refunding Revenue Bond, Series 1996 C, dated September 26, 1996, issued in the original aggregate principal amount of \$1,454,000 (the "Series 1996 C Bonds"), held by Branch Banking and Trust Company (collectively, the "Prior Bonds"). Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2004 A Bonds as to liens, pledge and/or source of and security for payment.

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

H. It is in the best interest of the Issuer that the Series 2004 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated June 27, 2001, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2004 A Bonds, or will have so complied prior to issuance of the Series 2004 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

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

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

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

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

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated June 27, 2001, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2004 A Bonds in the then current or any succeeding year.

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

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

"Prior Bonds" means, collectively, the Water Revenue Bonds, Series 1996 A (United States Department of Agriculture), Water Revenue Bonds, Series 1996 B (United States Department of Agriculture), and Water Refunding Revenue Bonds, Series 1996 C of the Issuer described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, respectively adopted February 1, 1996, and September 26, 1996, authorizing the Prior Bonds.

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

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

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

(a) Government Obligations;

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

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

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

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC (hereinbefore defined) or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the

maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service or Standard & Poor's Corporation.

"Registered Owners," "Bondholders," "Holders of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolutions and the Bond Legislation.

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency

or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Governing Body.

"Series 2004 A Bonds" means the Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$1,704,600, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2004 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

*

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2004 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2004 A (United States Department of Agriculture)", are hereby authorized to be issued in a principal amount not to exceed \$961,000, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2004 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2004 A Bonds shall bear interest from the date of delivery, payable monthly at a rate not to exceed 4.5% per annum, and shall be sold for the par value thereof.

The Series 2004 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2004 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2004 A Bonds, and the right to principal of and stated interest on the Series 2004 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2004 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2004 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2004 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2004 A Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2004 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2004 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2004 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2004 A Bonds for registration of transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2004 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2004 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2004 A Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2004 A Bonds shall cease to be such officer of the Issuer before the Series 2004 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2004 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2004 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2004 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2004 A Bonds shall have

matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2004 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2004 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2004 A Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2004 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

•

(FORM OF BOND)

TAYLOR COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2004 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$ _____

No. AR-1

Date: _____

FOR VALUE RECEIVED, TAYLOR COUNTY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ DOLLARS (\$ _____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first _____ months after the date hereof, and \$ _____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of _____ years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2004, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING WATER REVENUE BONDS OF THE BORROWER:

(i) WATER REVENUE BONDS, SERIES 1996 A, DATED FEBRUARY 1, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$350,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS;

(ii) WATER REVENUE BONDS, SERIES 1996 B, DATED FEBRUARY 1, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$129,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS; AND

(iii) WATER REFUNDING REVENUE BONDS, SERIES 1996 C, DATED SEPTEMBER 26, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,454,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS.

IN WITNESS WHEREOF, TAYLOR COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

By: _____
Its: Chairman, Public Service Board
Post Office Box 202
Grafton, West Virginia 26354

ATTEST:

By: _____
Its: Secretary, Public Service Board

(Form of)

RECORD OF ADVANCES

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

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

▪

In the presence of:

ARTICLE IV

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

Section 4.01. A. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Depreciation Reserve (established by Prior Resolutions); and
- (3) Series 2004 A Project Construction Account.

B. Establishment of Funds and Accounts with Commission. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and from each other:

- (1) Series 2004 A Bonds Reserve Account.

Section 4.02. Bond Proceeds; Series 2004 A Project Construction Account. The proceeds of the sale of the Series 2004 A Bonds shall be deposited upon receipt by the Issuer in the Series 2004 A Project Construction Account. The monies in the Series 2004 A Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Series 2004 A Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2004 A Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Series 2004 A Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2004 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Series 2004 A Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 2004 A Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds.

So long as any of the Series 2004 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2004 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2004 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2004 A Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Resolutions.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Resolutions not otherwise modified herein:

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

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Prior Bonds and the Series 2004 A Bonds transfer from the Revenue Fund and remit to (i) the appropriate entities required under the Prior Resolutions the amounts necessary to pay the principal and interest, if any, on the Prior Bonds; and (ii) to the National Finance Office, the amounts required to pay the interest on the Series 2004 A Bonds and to amortize the principal of the Series 2004 A Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Prior

Bonds and the Series 2004 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on the date specified in the Prior Resolutions, transfer from the Revenue Fund and remit (i) to the Depository Bank for deposit into the Prior Bonds Reserve Fund and the 1996 C Bond Reserve Fund the amounts required by the Prior Resolutions; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 12th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2004 A Bonds Reserve Account, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2004 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2004 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the Series 2004 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2004 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2004 A Bonds, or for mandatory prepayment of the Series 2004 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2004 A Bond Reserve Account, so long as the Series 2004 A Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(4) The Issuer shall next on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for the deposit in the Depreciation Reserve (i) the amounts required by the Prior Resolutions; (ii) beginning on the date specified by the Purchaser, but in any event not later than the 12th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2004 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum

Reserve, so long as the Series 2004 A Bonds are outstanding; provided, however, that in the event Revenues are insufficient to fund the Series 2004 A Bonds Reserve Account in accordance with Section 4.03B above, or a withdrawal of funds from the Series 2004 A Bonds Reserve Account is made, payment of Revenues into the Depreciation Reserve as provided in this Section 4.03B shall not be made, but instead Revenues shall be applied to the replenishment of the Series 2004 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Depreciation Reserve as provided in this Section 4.03B shall resume. Monies in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of interest on and principal of the Series 2004 A Bonds as the same become due, and next to restore to the Series 2004 A Bonds Reserve Account any sum or sums transferred therefrom. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, monies in the Depreciation Reserve may be withdrawn by the Issuer and used for replacements, repairs, improvements or extensions to the System.

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

Whenever the money in the Series 2004 A Bonds Reserve Account shall be sufficient to prepay the Series 2004 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2004 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission and the Depository Bank, as applicable, are hereby designated as the Fiscal Agents for the administration of the Series 2004 A Bonds Reserve Account and the Depreciation Reserve, and all amounts required for the Series 2004 A Bonds Reserve Account and the Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

The Revenue Fund, the Series 2004 A Bonds Reserve Account and the Depreciation Reserve shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser

shall have a lien thereon for further securing payment of the Series 2004 A Bonds and the interest thereon.

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

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2004 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission and the Depository Bank, at the direction of the Issuer, shall keep the monies in the Series 2004 A Bonds Reserve Account and the Depreciation Reserve, as applicable, invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Investment Management Board. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2004 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Commission.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2004 A Bonds, provide evidence that there will be at least 1,072 bona

vide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2004 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2004 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2004 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2004 A Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2004 A Bonds and the Prior Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2004 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No Parity Bonds shall be issued after issuance of the Series 2004 A Bonds unless the provisions contained in the Prior Resolutions respecting issuance of Parity Bonds have been satisfied. No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

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

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

The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2004 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2004 A Bonds.

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

may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

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

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

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2004 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2004 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2004 A Bonds.

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

(a) Failure to make payment of any monthly amortization installment upon the Series 2004 A Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2004 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

Section 5.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights. Prior to pursuing any remedy upon the occurrence of an Event of Default, the Purchaser must first provide the District with written notice of its intent to pursue a remedy. The notice must contain a description of the Event of Default and actions intended to be taken as a result of such default.

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

Section 5.09. Fiscal Year; Budget. While the Series 2004 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month

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

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

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

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

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

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2004 A Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges: Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Recommended Decision of the Public Service Commission of West Virginia, entered on July 15, 2003, Case No. 03-0026-PWD-CN, as amended by the Commission Referral Order entered August 29, 2003, and the Commission Order entered November 13, 2003 in said case, which documents are incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2004 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 2004 A Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2004 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2004 A Bonds, the Issuer may not defease the Series 2004 A Bonds or otherwise provide for payment thereof by escrow or like manner.

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

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2004 A Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2004 A Bonds.

Section 7.05. Conflicting Provisions Repealed. The Prior Resolutions and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions.

All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Covenant of Due Procedure. Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted this 14th day of July, 2004.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT


Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of TAYLOR COUNTY PUBLIC SERVICE DISTRICT on the 14th day of July, 2004.

Dated: July 16, 2004.

[SEAL]



Secretary

07/01/04
888140.00001

RESERVED

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

**Water Revenue Bonds,
Series 1996 A and Series 1996 B**

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Authority for This Resolution	1
Section 1.02	Findings and Determinations	1
Section 1.03	Bond Legislation Constitutes Contract	3
Section 1.04	Definitions	3
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT		
Section 2.01	Authorization of Acquisition and Construction of the Project	8
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS		
Section 3.01	Authorization of Bonds	9
Section 3.02	Description of Bonds	9
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds	9
Section 3.04	Bond Registrar	10
Section 3.05	Execution of Bonds	10
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	10
Section 3.07	Bonds Secured by Pledge of Net Revenues	11
Section 3.08	Form of Bonds	11
	FORM OF 1996 A BOND	12
	FORM OF 1996 B BOND	18

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

Section 4.01	Establishment of Funds and Accounts with Depository Bank	24
Section 4.02	Bond Proceeds; Project Construction Account	24
Section 4.03	Covenants of the Issuer as to System Revenues and Funds	25
Section 4.04	Interim Construction Financing	28

**ARTICLE V
GENERAL COVENANTS, ETC.**

Section 5.01	General Statement	30
Section 5.02	Rates	30
Section 5.03	Sale of the System	30
Section 5.04	Issuance of Additional Parity Bonds or Obligations	30
Section 5.05	Insurance and Bonds	30
Section 5.06	Statutory Mortgage Lien	32
Section 5.07	Events of Default	32
Section 5.08	Enforcement	32
Section 5.09	Fiscal Year; Budget	32
Section 5.10	Compensation of Members of Governing Body	33
Section 5.11	Covenant to Proceed and Complete	33
Section 5.12	Books and Records; Audits	33
Section 5.13	Maintenance of System	34
Section 5.14	No Competition	34

**ARTICLE VI
RATES, ETC.**

Section 6.01	Initial Schedule of Rates and Charges; Rules	35
--------------	--	----

**ARTICLE VII
MISCELLANEOUS**

Section 7.01	Payment of Bonds	36
Section 7.02	Modification or Amendment	36
Section 7.03	Delivery of Bonds	36
Section 7.04	Severability of Invalid Provisions	36
Section 7.05	Conflicting Provisions Repealed	36
Section 7.06	Table of Contents and Headings	36

Section 7.07	Covenant of Due Procedure, Etc.	37
Section 7.08	Effective Time	37
	SIGNATURES	37
	CERTIFICATION	38

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$350,000 WATER REVENUE BOND, SERIES 1996 A, AND \$129,000 WATER REVENUE BOND, SERIES 1996 B, OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT, ON A PARITY WITH THE OUTSTANDING WATER REVENUE BOND, SERIES 1985, OF THE DISTRICT, TO FINANCE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE DISTRICT AND ALL APPURTENANT FACILITIES; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITIES FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

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

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

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

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

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$1,760,000, of which \$479,000 will be obtained from the proceeds of sale of the Bonds herein authorized, \$531,000 will be obtained from a grant from the Purchaser and \$750,000 will be obtained from a grant from the Appalachian Regional Commission.

E. It is necessary for the Issuer to issue its water revenue bonds in the total principal amount of \$479,000, in two series, being the 1996 A Bond (hereinafter defined), in the principal amount of \$350,000, and the 1996 B Bond (hereinafter defined), in the aggregate principal amount of \$129,000 (collectively, the "Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There is outstanding an obligation of the Issuer which will rank on a parity with the Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1985, dated August 14, 1985, issued in the original principal amount of \$1,642,000 (the "Prior Bond"), held by the Purchaser. As of the date of issuance of the Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Bonds as to liens, pledge and/or source of and security for payment.

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

H. It is in the best interest of the Issuer that the Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated September 8, 1992, and all amendments thereto, if any (collectively, the "Letter of Conditions").

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

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

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

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

"1996 A Bond" means the Water Revenue Bond, Series 1996 A, authorized hereby to be issued pursuant to this Bond Legislation.

"1996 B Bond" means the Water Revenue Bond, Series 1996 B, authorized hereby to be issued pursuant to this Bond Legislation.

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

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

"Bonds" means, collectively, the 1996 A Bond and the 1996 B Bond.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Vaughn, Coast & Vaughn, Inc., St. Clairsville, Ohio, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

"Grants" means, collectively, the grant from the Appalachian Regional Commission and the grant from the Purchaser, committed for the Project.

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated September 8, 1992, and all amendments thereto, if any.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that all monthly amortization payments upon the Bonds and the Prior Bond and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Prior Bond" means the outstanding Water Revenue Bond, Series 1985, of the Issuer described in Section 1.02G hereof.

"Prior Resolution" means the Resolution of the Issuer adopted June 14, 1984, authorizing issuance of the Prior Bond.

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

"Purchaser" or "Government" means United States Department of Agriculture, Rural Economic and Community Development (formerly Farmers Home Administration), and any successor thereof, acting for and on behalf of the United States of America.

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

- (a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service or Standard & Poor's Corporation.

"Registered Owner," "Bondholder," "Holder of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolution and the Bond Legislation.

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

"Secretary" means the Secretary of the Governing Body.

"Surplus Revenues" shall have the meaning set forth in Section 4.03B(v) hereof.

"System" means the existing waterworks of the Issuer as improved, extended, enlarged and expanded by the Project, and includes the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks system of the Issuer.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of \$1,760,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article IV hereof.

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ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Bonds of the Issuer, to be known as "Water Revenue Bond, Series 1996 A" and "Water Revenue Bond, Series 1996 B," are hereby authorized to be issued in the respective principal amounts of \$350,000 and \$129,000 for a total aggregate principal amount of not exceeding \$479,000 for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. A. The 1996 A Bond shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1996 A Bond shall bear interest from the date of delivery, payable monthly at the rate of 4 1/2% per annum, and shall be sold for the par value thereof.

B. The 1996 B Bond shall be issued in single form, numbered BR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1996 B Bond shall bear interest from the date of delivery, payable monthly at the rate of 4 1/2% per annum, and shall be sold for the par value thereof.

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

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

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

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

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

The Bond Registrar shall accept the Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be Federal Building, Room 320, 75 High Street, Morgantown, West Virginia 26505-7500, or such other address as shall be stated in writing to the Issuer by the United States of America.

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Bonds shall have matured or be about to mature, instead of

issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured forthwith equally and on a parity with each other by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided for as to the Bonds, all on a parity with the Prior Bond. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bonds and the Prior Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds and the Prior Bond as the same become due.

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

(FORM OF 1996 A BOND)

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1996 A

\$350,000

No. AR-1

Date: _____

FOR VALUE RECEIVED, TAYLOR COUNTY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000), plus interest on the unpaid principal balance at the rate of 4 1/2% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,607, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THIS BOND IS ISSUED ON A PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE 1996 B BOND ISSUED CONCURRENTLY HERewith, AND THE PRIOR BOND HERETOFORE ISSUED, ALL AS DEFINED AND DESCRIBED IN SAID RESOLUTION.

IN WITNESS WHEREOF, TAYLOR COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 202
(P. O. Box No. or Street Address)

Grafton, West Virginia 26534
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	\$		(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	
TOTAL				\$	

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

*

In the presence of:

(FORM OF 1996 B BOND)

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1996 B

\$129,000

No. BR-1

Date: _____

FOR VALUE RECEIVED, TAYLOR COUNTY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE HUNDRED TWENTY-NINE THOUSAND DOLLARS (\$129,000), plus interest on the unpaid principal balance at the rate of 4 1/2% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$593, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THIS BOND IS ISSUED ON A PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE 1996 A BOND ISSUED CONCURRENTLY HEREWITH, AND THE PRIOR BOND HERETOFORE ISSUED, ALL AS DEFINED AND DESCRIBED IN SAID RESOLUTION.

IN WITNESS WHEREOF, TAYLOR COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

TAYLOR COUNTY PUBLIC SERVICE
DISTRICT

(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 202
(P. O. Box No. or Street Address)

Grafton, West Virginia 26534
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(7) \$	
(2) \$		(8) \$	
(3) \$		(9) \$	
(4) \$		(10) \$	
(5) \$		(11) \$	
(6) \$		(12) \$	
TOTAL		\$	

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the Prior Resolution), and shall be held by, the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the Prior Resolution);
- (2) Reserve Fund (established by the Prior Resolution);
- (3) Depreciation Reserve (established by the Prior Resolution); and
- (4) Project Construction Account.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

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

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

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance

remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds.

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

A. **REVENUE FUND.** The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Resolutions.

B. **DISPOSITION OF REVENUES.** All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Resolution not otherwise modified herein:

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

(ii) The Issuer shall next, on or before the due date of payment of each installment on the Bonds and the Prior Bond, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bonds and the Prior Bond (or such other place as may be provided pursuant to the Bonds and the Prior Bond), the amounts required to pay the interest on the Bonds and the Prior Bond, and to amortize the principal of the Bonds and the Prior Bond over the respective lives of each Bond issue. All payments with respect to principal of and interest on the Bonds and the Prior Bond shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(iii) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund, 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal

and interest becoming due on the Bonds and the Prior Bond in any year, until the amount in the Reserve Fund equals such maximum amount (the "Minimum Reserve"). After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and the Prior Bond and for payment of Operating Expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bonds and the Prior Bond to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bonds and the Prior Bond, or for mandatory prepayment of the Bonds and the Prior Bond as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other; provided, however, that when the Minimum Reserve has been accumulated in the Reserve Fund all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund.

(iv) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund until there has been accumulated in the Depreciation Reserve the aggregate sum of \$250,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds and the Prior Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(v) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any

("Surplus Revenues"), may be used to prepay installments of the Bonds and the Prior Bond, pro rata, or for any lawful purpose.

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

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

All the funds provided for in this Section other than the Project Construction Account shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the Prior Bond and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

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

Subject to the Prior Resolution, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Government Obligations having maturities not exceeding two years. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Subject to the Prior Resolution, earnings upon moneys in the Reserve Fund, so long as the

Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

C. **CHANGE OF FISCAL AGENT.** The Issuer may designate another bank or trust company insured by FDIC as Depository Bank and Fiscal Agent if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. **USER CONTRACTS.** The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be at least 185 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

Section 4.04. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$350,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

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

ARTICLE V

GENERAL COVENANTS, ETC.

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

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

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

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

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

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

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

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

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$50,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

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

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the statutory mortgage lien in favor the Holder of the Prior Bond, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bonds and shall be for the equal benefit of the Bonds and the Prior Bond.

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

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

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

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

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

Section 5.09. Fiscal Year: Budget. While the Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and

maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

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

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

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

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

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

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on December 22, 1995, Case No. 94-1135-PWD-CN (Reopened), which Final Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

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

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

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

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

Section 7.05. Conflicting Provisions Repealed. The Prior Resolution and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolution.

All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted: February 1, 1996.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT


Chairman


Member


Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board
of TAYLOR COUNTY PUBLIC SERVICE DISTRICT on the 1st day of February, 1996.

Dated: February 1, 1996.

[SEAL]

Edward Beavers
Secretary, Public Service Board

01/29/96
TCBJM.A5
888140/92001

TAYLOR COUNTY PUBLIC SERVICE DISTRICT
WATER REFUNDING REVENUE BOND, SERIES 1996 C

BOND RESOLUTION

Table of Contents

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01	Authority for this Resolution	1
Section 1.02	Findings	1
Section 1.03	Bond Legislation Constitutes Contract	2
Section 1.04	Definitions	2

ARTICLE II
**AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND SALE OF BOND**

Section 2.01	Authorization of Bond	9
Section 2.02	Terms of Bond	9
Section 2.03	Execution of Bond	9
Section 2.04	Authentication and Registration	9
Section 2.05	Negotiability, Transfer and Registration	9
Section 2.06	Bonds Mutilated, Destroyed, Stolen or Lost	10
Section 2.07	Bond not to be Indebtedness of the Issuer	10
Section 2.08	Bond Secured by Pledge of Net Revenues	11
Section 2.09	Form of Bond	11
	FORM OF BOND	12
Section 2.10	Sale of Bond	18
Section 2.11	Disposition of Bond Proceeds	18
Section 2.12	Designation of Bond as "Qualified Tax-Exempt Obligation"	18

ARTICLE III
**FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION
THEREOF**

Section 3.01	Establishment of Funds and Accounts with Depository Bank	19
Section 3.02	Covenants of the Issuer as to System Revenues and Funds	19

**ARTICLE IV
GENERAL COVENANTS**

Section 4.01	General Statement	23
Section 4.02	Rates	23
Section 4.03	Sale of the System	23
Section 4.04	Issuance of Additional Parity Bonds or Obligations	23
Section 4.05	Insurance and Bonds	25
Section 4.06	Statutory Mortgage Lien	26
Section 4.07	Events of Default	26
Section 4.08	Enforcement	27
Section 4.09	Fiscal Year; Budget	27
Section 4.10	Compensation of Members of Governing Body	27
Section 4.11	Books and Records; Audits	27
Section 4.12	Maintenance of System	28
Section 4.13	No Competition	28

**ARTICLE V
RATES, ETC.**

Section 5.01	Initial Schedule of Rates and Charges; Rules	29
--------------	--	----

**ARTICLE VI
TAX COVENANTS**

Section 6.01	Tax Covenants	30
Section 6.02	Arbitrage and Tax Exemption	31
Section 6.03	Tax Certificate and Rebate	31

**ARTICLE VII
DEFEASANCE**

Section 7.01	Defeasance	32
--------------	------------	----

**ARTICLE VIII
MISCELLANEOUS**

Section 8.01	Amendment or Modification of Bond Legislation	33
Section 8.02	Severability of Invalid Provisions	33
Section 8.03	Table of Contents and Headings	33
Section 8.04	Conflicting Provisions Repealed	33
Section 8.05	Covenant of Due Procedure, Etc.	33
Section 8.06	Effective Date	34

SIGNATURES
CERTIFICATION

34
35

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REVENUE BOND, SERIES 1985, DATED AUGUST 14, 1985, OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,454,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BOND, SERIES 1996 C; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BOND; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF TAYLOR COUNTY 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 adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. Taylor County Public Service District (the "Issuer") is a public service district, public corporation and political subdivision of the State of West Virginia in Taylor County of said State duly created pursuant to the Act by The County Commission of Taylor County.

B. The Issuer currently owns and operates a public waterworks system.

C. The Issuer has heretofore issued a Water Revenue Bond, Series 1985, dated August 14, 1985, in the original aggregate principal amount of \$1,642,000 (the "1985 Bond"), and held by the United States Department of Agriculture, Rural Utilities Service, formerly Farmers Home Administration ("USDA").

D. It is in the best interest of the Issuer that the 1985 Bond be currently refunded in order to allow the Issuer to take advantage of the interest savings.

E. It is deemed necessary for the Issuer to issue its Water Refunding Revenue Bond, Series 1996 C (the "Bond"), in the total aggregate principal amount of not more than \$1,454,000 to pay in full the principal of and interest accrued on the 1985 Bond, to fund a portion of the reserve account for the Bond, and to pay the costs of issuance thereof and related costs.

F. It is in the best interest of the Issuer that the Bond be sold to the Purchaser (as hereinafter defined), pursuant to the terms and provisions of the commitment letter of such Purchaser.

G. The Issuer has complied with all requirements of West Virginia law relating to authorization of the refunding of the 1985 Bond and the issuance of the Bond, or will have so complied prior to issuance of the Bond, including, among other things, obtaining the approval of this refunding from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

H. There are outstanding obligations of the Issuer which will rank on a parity with the Bond as to liens, pledge and source of and security for payment, being the Water Revenue Bonds, Series 1996 A and Series 1996 B, dated February 1, 1996, issued in the original aggregate principal amount of \$479,000 (collectively, the "Prior Bonds"), held by USDA. The Issuer is not in default under the terms of the Prior Bonds, or any resolution authorizing issuance of the Prior Bonds or any document in connection therewith and has complied with all requirements of all the foregoing with respect to issuance of parity bonds and has obtained a sufficient and valid consent or waiver thereof.

As of the date of issuance of the Bond, there are no outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Bond as to liens, pledge and/or source of and security for payment, other than the Prior Bonds.

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

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.

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

"Bond" or "1996 C Bond" means the Water Refunding Revenue Bond, Series 1996 C, authorized hereby to be issued pursuant to this Bond Legislation.

"1985 Bond" means the Water Revenue Bond, Series 1985, of the Issuer described in Section 1.02C hereof.

"Bondholder," "Holder of the Bond," "Holder," "Registered Owner" or any similar term whenever used herein means the person in whose name the Bond is registered.

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

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

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"Chairman" means the Chairman of the Governing Body.

"Closing Date" means the date upon which there is an exchange of the Bond for the proceeds representing the purchase price of the Bond from the Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended and supplemented from time to time and the Regulations thereunder.

"Debt Service" means the maximum amount of principal and interest which will become due on the Bond and the Prior Bonds in any Fiscal Year.

"Debt Service Coverage Ratio" means, for any Fiscal Year, the ratio of Net Revenues to Debt Service.

"Depository Bank" means One Valley Bank of Clarksburg, National Association, Clarksburg, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"FDIC" means the Federal Deposit Insurance Corporation or 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.

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

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

"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.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means Taylor County Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia, in Taylor County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Net Proceeds" means the face amount of the Bond, plus accrued interest and premium, if any, and less original issue discount, if any, and less proceeds, if any, deposited in the 1996 C Bond Reserve Fund. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bond, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Bond and is not acquired in order to carry out the governmental purpose of the Bond.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of

appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bond and the Prior Bonds and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

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

"Prior Bonds" means the outstanding Water Revenue Bonds, Series 1996 A and Series 1996 B, of the Issuer described in Section 1.02H hereof.

"Prior Resolution" means the resolution of the Issuer adopted February 1, 1996, authorizing issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

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

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

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

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

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

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

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

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

have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service or Standard & Poor's Corporation.

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

"Resolutions" means, collectively, the Prior Resolution and the Bond Legislation.

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

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

"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 Bond; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Bond and not so included may be included in another Supplemental Resolution.

"System" means the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks system of the Issuer.

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

"USDA" means the United States Department of Agriculture, Rural Utilities Service (formerly, Farmers Home Administration), and any successor thereof, acting for and on behalf of the United States of America.

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

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BOND

Section 2.01. Authorization of Bond. For the purposes of paying in full the principal of and interest accrued on the 1985 Bond, funding a portion of the reserve account for the Bond and paying the costs of issuance thereof and related costs, there is hereby authorized to be issued the Water Refunding Revenue Bond, Series 1996 C, of the Issuer, in the aggregate principal amount of not more than \$1,454,000.

Section 2.02. Terms of Bond. The Bond shall be issued in fully registered form; shall be dated such date; shall be in such principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate; shall be payable on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part; and shall have such other terms, all as the Issuer shall prescribe in a Supplemental Resolution.

Section 2.03. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, the Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed the Bond had not ceased to hold such office. The Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of the Bond shall hold the proper office in the Issuer, although at the date of the Bond such person may not have held such office or may not have been so authorized.

Section 2.04. 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 form set forth in Section 2.09 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.

Section 2.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of the Bond, shall

be conclusively deemed to have agreed that the Bond 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 the Bond shall be incontestable in the hands of a bona fide holder for value.

So long as the Bond remains outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bond.

The registered Bond shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender 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 the Bond or transferring the registered Bond are exercised, the Bond shall be delivered in accordance with the provisions of this Bond Legislation. The Bond surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of the Bond, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such exchange or transfer, as a condition precedent to the exercise of the privilege of making such transfer. The Bond Registrar shall not be obliged to make any such exchange or transfer of the Bond during the 15 days preceding an interest payment date on the Bond or after notice of any prepayment of the Bond has been given.

Section 2.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, 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. The Bond so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 2.07. Bond not to be Indebtedness of the Issuer. The Bond shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder of the

Bond shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Bond or the interest thereon.

Section 2.08. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured forthwith by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided, all on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond and the Prior Bonds as the same become due.

Section 2.09. Form of Bond. The text of the Bond shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

WATER REFUNDING REVENUE BOND, SERIES 1996 C

No. CR-_____

\$_____

KNOW ALL MEN BY THESE PRESENTS: That TAYLOR COUNTY PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Taylor County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of

or registered assigns (the "Registered Owner"), the principal sum of _____ DOLLARS (\$ _____), plus interest as follows:

A. This Bond shall bear interest on the outstanding principal amount thereof from the date hereof to and including the maturity or earlier prepayment date, at the rates per annum as follows (hereinafter sometimes called the "Tax-Exempt Rate"):

(i) Commencing _____, 1996, and continuing to and including _____, 2001, at the rate of _____ % per annum.

(ii) Commencing _____, 2001, and continuing to and including _____, 2006, at the rate per annum equal to the highest prime rate of interest set forth in The Wall Street Journal in a column entitled "Money Rates", or its successor (the "Prime Rate"), in effect on _____, 2001, or the first Business Day (as defined in the hereinafter defined Bond Legislation) thereafter, minus 2%, which rate shall not be less than 5% and not more than 7.5%.

(iii) Commencing _____, 2006, and continuing to and including the final maturity date of this Bond, being _____, 2011, at the rate per annum equal to

the highest prime rate of interest set forth in The Wall Street Journal in a column entitled "Money Rates", or its successor (the "Prime Rate"), in effect on _____, 2006, or the first Business Day (as defined in the hereinafter defined Bond Legislation) thereafter, minus 2%, which rate shall not be less than 5% and not more than 7.5%.

B. Notwithstanding any other provision herein, in the event the interest on this Bond is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on this Bond shall be payable at a rate equal to the Tax-Exempt Rate, plus _____% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on this Bond is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on this Bond are paid, notwithstanding that the entire principal amount of this Bond may have been paid in full prior to the Determination of Taxability. Any interest being past due on this Bond by reason of such increase shall become immediately due and payable.

C. This Bond shall be payable in monthly installments, commencing _____, 1996, and continuing on the _____ day of each month thereafter, to and including _____, 2011. Each monthly installment shall be in the amount of \$_____. There shall be an adjustment to the final maturity hereof in the event that such monthly installment amortizes payment of the principal of and interest on this Bond prior to the scheduled maturity date hereof.

D. All payments received by the Paying Agent on account of this Bond shall be applied first to payment of interest accrued on this Bond and next to payment of principal of this Bond. If not sooner paid, the entire principal amount of this Bond unpaid on _____, 2011, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

The principal of and interest on this Bond is payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of _____, _____, West Virginia, as Registrar and Paying Agent.

This Bond is subject to prepayment of principal and interest to the date of prepayment, in whole or in part, at any time, without penalty.

This Bond is issued (i) to pay in full the principal of and interest accrued on the Issuer's Water Revenue Bond, Series 1985, (ii) to fund a portion of the reserve account for the Bond and (iii) to pay the 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 Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1996 A AND SERIES 1996 B, DATED FEBRUARY 1, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$479,000 (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds.

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 the source set forth above. Under the Bond Legislation, the Issuer has entered into certain covenants with the Registered Owner, for the terms of which reference is made to said Bond Legislation. Remedies provided the Registered Owner 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 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.

This Bond is hereby designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond and the interest hereon are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of the State.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and 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 Net Revenues of the System has been pledged to and will be set aside 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.

This Bond shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, TAYLOR COUNTY 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 _____, 199_____.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Bond is described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____, 199____.

as Registrar

By _____
Its Authorized Officer

(Form of Assignment)

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

the within-mentioned Bond and does hereby irrevocably constitute and appoint _____, Attorney to transfer the said Bond on the books of the Registrar on behalf of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

Section 2.10. Sale of Bond. The Bond shall be sold to the Purchaser contemporaneously with, or as soon as practicable and authorized and permitted by applicable law after, the adoption of the Supplemental Resolution; provided, that the Purchaser and the Issuer shall have agreed to the purchase price thereof.

Section 2.11. Disposition of Bond Proceeds. Upon the issuance and delivery of the Bond on the Closing Date, the Issuer shall immediately apply the proceeds of the Bond (i) to pay in full the entire principal of and interest accrued on the 1985 Bond to USDA, (ii) to fund a portion of the 1996 C Bond Reserve Fund, and (iii) to pay the costs of issuance of the Bond and related costs.

Section 2.12. Designation of Bond as "Qualified Tax-Exempt Obligation". The Issuer hereby designates the Bond as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Bond does not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount*of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Bond, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 1996.

ARTICLE III

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 3.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the Prior Resolution), and shall be held by, the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the Prior Resolution);
- (2) Reserve Fund (established by the Prior Resolution and herein called the "Prior Bonds Reserve Fund");
- (3) 1996 C Bond Reserve Fund; and
- (3) Depreciation Reserve (established by the Prior Resolution).

Section 3.02. Covenants of the Issuer as to System Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the 1996 C Bond Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holder of the Bond as follows:

A. **REVENUE FUND.** The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Resolutions.

B. **DISPOSITION OF REVENUES.** All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, subject to the provisions of the Prior Resolution not otherwise modified herein;

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

(ii) The Issuer shall next, each month, on or before the due date of payment of each installment on the Prior Bonds and the Bond, transfer from the Revenue Fund and simultaneously, (a) remit to the National Finance Office designated in the Prior Bonds (or such other place as may be provided pursuant to the Prior Bonds), the amounts required to pay the interest on the Prior Bonds, and to amortize the principal of the Prior Bonds over the respective life of the Prior Bonds, and (b) remit to the Paying Agent designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond. All payments with respect to principal of and interest on the Prior Bonds and the Bond shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(iii) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and simultaneously, (a) remit to the Depository Bank for deposit in the Prior Bonds Reserve Fund the amount required by the Prior Resolution and (b) on the date of issuance of the Bond, remit to the Depository Bank for deposit in the 1996 C Bond Reserve Fund the sum of \$75,000, and whenever the Debt Service Coverage Ratio falls below 130%, remit to the Depository Bank for deposit in the 1996 C Bond Reserve Fund, the sum of \$625, until there has been accumulated in the 1996 C Bond Reserve Fund an amount equal to the maximum aggregate amount of principal and interest on the Bond in any year (the "Reserve Requirement"); provided that, no further payments shall be made into the 1996 C Bond Reserve Fund when the Debt Service Coverage Ratio is at least 130%; provided further that, no further payments shall be made into the 1996 C Bond Reserve Fund when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement. All earnings of investments in the 1996 C Bond Reserve Fund shall at least annually be transferred to and deposited in the Revenue Fund. Moneys in the 1996 C Bond Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bond to the Paying Agent as the same shall become due or for prepayment of installments on the Bond, and for no other purpose.

(iv) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund until there has been accumulated in the Depreciation Reserve the aggregate sum of \$250,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Prior Bonds and the Bond as the same become due, and next to restore to the Prior Bonds Reserve Fund and the 1996 C Bond Reserve Fund any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments into the Prior Bonds Reserve Fund and the 1996 C Bond Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

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

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Prior Bonds Reserve Fund, the 1996 C Bond Reserve Fund and the Depreciation Reserve herein provided, and all amounts required for the Prior Bonds Reserve Fund, the 1996 C Bond Reserve Fund and the Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, but the Depository Bank shall not be a trustee as to such funds.

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

Subject to the Prior Resolution, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Prior Bonds Reserve Fund, the

1996 C Bond Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Subject to the Prior Resolution, earnings upon moneys in the Prior Bonds Reserve Fund and the 1996 C Bond Reserve Fund, so long as the respective reserve requirement is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

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

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

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

ARTICLE IV

GENERAL COVENANTS

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

Section 4.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Prior Bonds and the Bond and sufficient to make the payments required herein into the Prior Bonds Reserve Fund, the 1996 C Bond Reserve Fund and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 4.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 4.04. Issuance of Additional Parity Bonds or Obligations. No Parity Bonds, payable out of the Revenues of the System, shall be issued after the issuance of the Bond pursuant to this Bond Legislation, except under the conditions and in the manner herein provided. No Parity Bonds shall be issued without the prior written consent of the Purchaser; provided that the Purchaser shall not withhold its consent so long as the Issuer meets the conditions set forth in this Section 4.04.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Bond.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, improvements or betterments to the System or refunding the Prior Bonds and the Bond issued pursuant hereto or subsequent Parity Bonds, or any combination of such purposes.

No Parity Bonds shall be issued at any time, however, unless the Issuer procures a written statement from the Independent Certified Public Accountants that the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of 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 110% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, 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 the certificate of the Independent Certified Public Accountants.

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, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

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

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

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

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

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

to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(iv) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

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

(vi) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time.

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

Section 4.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

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

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

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

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

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

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

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

Section 4.11. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records

and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

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

Section 4.12. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bond is outstanding.

Section 4.13. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE V

RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on December 22, 1995, Case No. 94-1135-PWD-CN (Reopened), which Final Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VI

TAX COVENANTS

Section 6.01. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. **PRIVATE BUSINESS USE LIMITATION.** The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Bond are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bond during the term thereof is, under the terms of the Bond or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Bond are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Bond during the term thereof is, under the terms of the Bond or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Bond used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the project, or if the Bond is for the purpose of financing more than one project, a portion of the project, and shall not exceed the proceeds used for the governmental use of that portion of the project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. **PRIVATE LOAN LIMITATION.** The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Bond or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. **FEDERAL GUARANTEE PROHIBITION.** The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. **INFORMATION RETURN.** The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bond and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Bond will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions which would adversely affect such exclusion.

Section 6.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bond which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bond) so that the interest on the Bond will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Bond. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bond as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. The Issuer shall pay, or cause to be paid, to the United States, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. The Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 6.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 6.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bond from gross income for federal income tax purposes.

ARTICLE VII

DEFEASANCE

Section 7.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then this Bond Legislation and the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Bond from gross income for federal income tax purposes.

The payment of the Bond with either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of and interest on the Bond shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. The Bond 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 Paying 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 Paying Agent at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on the Bond on and prior to the maturity dates thereof. Neither securities nor moneys deposited with the Paying Agent 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 the Bond; provided, that any cash received from such principal or interest payments on such securities deposited with the Paying 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 the Bond 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 Paying 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 VIII

MISCELLANEOUS

Section 8.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Bond, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following the issuance of the Bond, this Resolution may not be amended or modified without the prior written consent of the Registered Owner; provided, however, that this Resolution may be amended without the consent of the Registered Owner as may be necessary to assure the exclusion of interest on the Bond from gross income of the holders thereof for federal income tax purposes.

Section 8.02. 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 Bond.

Section 8.03. Table of Contents and Headings. The table of contents and headings 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.

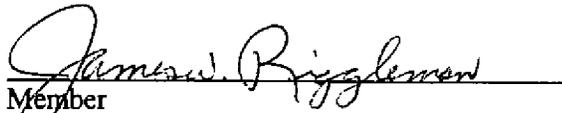
Section 8.04. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolution, the Prior Resolution shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 8.05. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 8.06. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 26th day of September, 1996.


Chairman


Member


Member

CERTIFICATION

Certified a true copy of a Bond Resolution duly adopted by the Public Service Board of Taylor County Public Service District on the 26th day of September, 1996.

Date: September 26, 1996.

[SEAL]


Secretary

09/20/96
TCWJM.A5
888140/96001

USDA UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
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July 16, 2004

Taylor County Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the entire outstanding aggregate principal amounts of the Series 1996 A Bonds and the Series 1996 B Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2004 A (United States Department of Agriculture) (the "Series 2004 A Bonds"), in the original aggregate principal amount of not to exceed \$961,000 by Taylor County Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Series 2004 A Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 1996 A, dated February 1, 1996 (the "Series 1996 A Bonds"), and Water Revenue Bonds, Series 1996 B, dated February 1, 1996 (the "Series 1996 B Bonds"); (ii) waives any requirements imposed by the Series 1996 A Bonds and the Series 1996 B Bonds (the "Prior Resolutions"), regarding the issuance of parity bonds which are not met by the Series 2004 A Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolutions by the Resolution, if any.


State Director

[Http://www.rurdev.usda.gov/wv](http://www.rurdev.usda.gov/wv)



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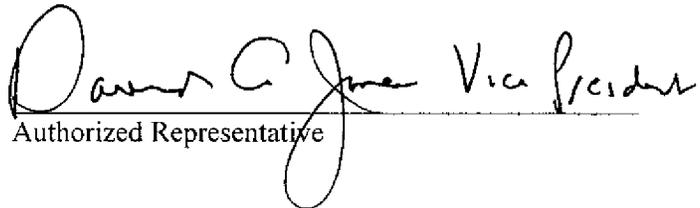
COMMITTED TO THE FUTURE OF RURAL COMMUNITIES

July 16, 2004

Taylor County Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

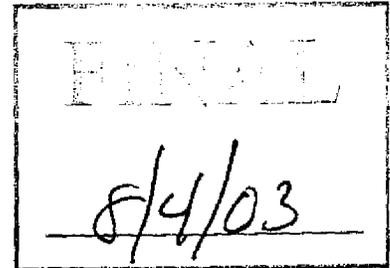
TO WHOM IT MAY CONCERN:

In reliance upon the certificate of the Issuer's certified public accountant dated the date hereof, the undersigned duly authorized representative of Branch Banking and Trust Company, the registered owner of the entire outstanding aggregate principal amount of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2004 A (United States Department of Agriculture) in the original aggregate principal amount of \$961,000 (the "Series 2004 A Bonds"), by Taylor County Public Service District (the "Issuer"), under the terms of the resolution authorizing the Series 2004 A Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's Water Refunding Revenue Bond, Series 1996 C (Branch Banking and Trust Company) (the "Prior Bonds").


Authorized Representative

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: July 15, 2003



CASE NO. 03-0026-PWD-CN

TAYLOR COUNTY PUBLIC SERVICE DISTRICT
P.O. Box 202, Grafton,
WV 26354

Application for a Certificate of
Convenience and Necessity to
construct certain additions and
improvements to the District's system
in Taylor County.

RECOMMENDED DECISION

On January 9, 2003, Taylor County Public Service District (District), a public utility, filed an application, duly verified, for a certificate to construct certain additions and improvements to the District's system in Taylor County. The District estimates that construction will cost approximately \$1,600,000. It is proposed that the construction will be financed as follows: an initial Rural Utilities Services (RUS) loan in the amount of \$961,000; RUS grants in the amount of \$559,000; and \$80,000 in funds on hand from Taylor County Public Service District. The District requested increased rates designated to generate a 25% increase in revenues.

By Order entered on January 10, 2003, Taylor County Public Service District was required to provide public notice of this application by publishing a copy of the Commission's Order, once, in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Taylor County. If no public protests were timely filed in response to the published notice, the Commission would be authorized to render a decision without a hearing, by virtue of the provisions of West Virginia Code 24-2-11. Also, in the letter from the Executive Secretary serving the Order, the District was reminded of the legal notice requirements in the Commission's Rules of Practice and Procedure, which require the District to mail a notice to all of its customers informing them of the requested rate increase and requiring the District to serve a copy of the Notice of Filing upon each of its resale customers by United States Certified Mail, return receipt requested.

On February 24, 2003, the District filed what it represented to be a certification of notification of resale customers and an affidavit of publication verifying that publication of the Notice of Filing was made in The Mountain Statesman, a newspaper published at Grafton, in Taylor County, on February 5, 2003. The 30-day protest period expired on March

8, 2003, with no protests having been filed. However, the certificate of notice to the resale customers did not comply with the requirements of Procedural Rule 10.3.d.

On February 25, 2003, the Public Service Commission issued a Referral Order in this matter, referring this case to the Division of Administrative Law Judges. The Order required that the Division of Administrative Law Judges render a decision in this matter on or before August 8, 2003.

On May 2, 2003, the District filed its Permit No. 15,596 from the Office of Environmental Health Services.

On May 20, 2003, Cecelia G. Jarrell, Staff Attorney, filed a Final Joint Staff Memorandum, attached to which was a 19A Exhibit prepared by Michael E. Dailey, Utilities Analyst, Utilities Division. According to Mr. Dailey, the District is seeking a certificate of convenience and necessity to extend water lines at Glade Run and Eby Road, both located in Taylor County. The project will provide water service to approximately 87 new customers in those service areas. In its application, the District estimated construction costs for the project at \$1,600,000. The project will be funded with a loan and grant package administered by the Rural Utilities Service (RUS). Funding will come in the form of an initial RUS loan in the amount of \$961,000, an initial RUS grant of \$79,000, and a subsequent RUS grant in the amount of \$480,000. Staff noted that the remaining \$80,000 will be provided by the District.

According to Staff, the District currently provides water to approximately 370 residential customers and provides resale service to the City of Grafton, Haymond Public Service District, Mt. View Water Association and the Southwestern Water Association.

The District's current tariff provides one set of rates and charges for residential customers in the Tygart Lake State Park/Knottsville areas, one set of rates and charges for the entire territory formerly served by the Thornton Public Service District and a resale rate of \$0.76 per 1,000 gallons of water sold to its four resale customers.

The District also charges a transportation fee of \$0.30 per 1,000 gallons sold to the Mt. View Water Association and Haymond Public Service District, and a transportation fee of \$0.15 per 1,000 gallons sold to the Southwestern Water Association. These transportation charges are pass-through charges that are collected for and remitted to the City of Grafton for waterline usage.

Staff noted that, in its application, the District is proposing to unify and increase the rates and charges for its entire service area, as well as increase the resale rate by \$0.10 per 1,000 gallons of water sold.

Under its current tariff, the District's Tygart Lake State Park/Knoxville area customers are billed \$25.37 per month for 4,500 gallons of usage, while Thornton area customers are billed \$19.65 for the same usage. The customers in the former Thornton Public Service District area have not experienced a rate increase since November 22, 1993, when

the current rate structure was finally approved in Case No. 93-0434-PWD-19A. Staff is of the opinion that a unified rate would be in the best interest of the District, not only for the purpose of a more simplified billing procedure, but for the District's record keeping purposes as well.

During Staff's examination, it was discovered that the District was not billing in accordance with its tariff. At per books, the District was billing every customer a minimum bill charge and then running water through its block rates, beginning with the second block. This misapplication of rates applied to all of the District's residential metered customers.

The misapplication of the tariff rates resulted in over billings of \$3,776, at per books. Staff adjusted the revenues at per books-adjusted to reflect the billing method approved in the District's current tariff. Staff believes that the billing errors were an honest mistake and that, since the overcharges only are 0.63% of overall revenues, the amount is de minimis and refunds to customers should not be required.

Staff noted that the District included in its certificate filing projected expenses related to the water extension. Also, Staff was notified that a 5% across-the-board wage increase, to become effective in July 2003, was not included in the filing. In its recommendation, Staff has accounted for the wage increase, as well as an increase in applicable payroll taxes.

As a result of the increase in payroll and related payroll tax expense, the District's proposed rates will only generate enough revenue to provide a debt service coverage factor of 114.43%. This coverage amount would be in default of the coverage requirements for the \$961,000 RUS bond, which requires a debt service coverage factor of 115%.

In order to provide the necessary debt service coverage, Staff has increased the District's proposed rates by 1.3% across-the-board. Staff calculated the effect of its recommended rates on the District's customer billings, based on an average consumption level of 4,500 gallons per month. The customers in the Tygart Lake State Park/Knottsville areas would experience an increase of \$1.23 or 4.85% in their monthly bills, while customers in the Thornton area would experience a rate hike of \$6.95, or 35.37% per month.

Staff's recommended rates would result in a cash flow surplus of \$28,595, a net income of \$157,187 and a debt service coverage factor of 115.02%.

By Procedural Order entered on May 21, 2003, Staff was directed to file its substantive recommendation on the certificate application itself on or before June 10, 2003. This Order also directed the District to comply with Rule 10.3.d in its entirety.

On May 23, 2003, Staff Attorney Jarrell filed a Further Final Joint Staff Memorandum, attached to which was an Internal Memorandum from Analyst Dailey, Utilities Division. According to Mr. Dailey, he failed to make an explicit recommendation regarding approval or disapproval of

the application for a certificate of convenience and necessity to construct certain additions and improvements to the Applicant's system. Mr. Dailey does recommend approval of the requested certificate along with the rates recommended in his report.

On June 6, 2003, the District filed a certification of notification to the customers of the District as required by the May 12, 2003 Procedural Order; however, the District still did not provide proof of notice to its resale customers by the separate mailing of the Notice of Filing.

On June 16, 2003, Staff Attorney Jarrell filed a Further Final Joint Staff Memorandum, attached to which was a Final Internal Memorandum from Audra L. Blackwell, Technical Analyst I, Engineering Division, providing the Engineering Division's substantive recommendation in this case. According to Ms. Blackwell, the estimated project cost breakdown is as follows: construction costs, \$1,300,000; engineering fees, \$190,000; bond counsel, \$7,500; legal fees, \$5,000; land & rights-of-way, \$2,000; interest, \$21,000; and project contingencies, \$74,500, for a total project cost of \$1,600,000.

Staff noted that, on April 28, 2003, the Taylor County Public Service District was issued a State, of West Virginia, Office of Environmental Health Services, Permit (Permit No. 15,596). The permit granted approval for the District to install approximately 26,540 linear feet (LF) of 8-inch, 15,205 LF of 6-inch, 13,155 LF of 4-inch, and 10,290 LF of 2-inch water line; one pressure reducing valve station; one altitude valve station; one 63,000 gallon water storage tank; and all necessary valves, controls and appurtenances.

The facilities are to serve approximately 78 existing customers in Thornton and 88 new customers in the Eby Run and Maple Run areas. The cost per customer is approximately \$9,640. This cost per customer is a little high, but within a reasonable range. The customer density is approximately 14 customers per mile. This is a low customer density for the provision of water service.

The overall annual increase in operating and maintenance (O&M) expenses is estimated to be \$27,406. These expenses are due mainly to an increase in operation labor and power for pumping of approximately \$10,900; water production expenses of approximately \$5,656; water treatment, supplies and maintenance expenses of approximately \$3,800; and meter reading, billing and collecting expenses of approximately \$3,800. According to Staff, it has completed its review of the O&M expenses and believes they are reasonable for the scope of the proposed project. Technical Staff recommended that the requested certificate be granted.

On July 14, 2003, the District filed a correct certification of notice to resale customers, attached to which were certified mail return receipts verifying that each of the District's four (4) sale for resale customers had received the Form No. 14.

Upon consideration of all of the above, the Administrative Law Judge is of the opinion that the application should be approved, along with the proposed financing and recommended rates.

FINDINGS OF FACT

1. On January 9, 2003, Taylor County Public Service District, filed an application, duly verified, for a certificate to construct certain additions and improvements to the District's system in Taylor County. (See, Petition).

2. By Order entered on January 10, 2003, Taylor County Public Service District was required to provide public notice of this application. (See, Order dated January 10, 2003).

3. On February 24, 2003, the District filed an affidavit of publication in this proceeding, indicating that the required notice was published on February 5, 2003. The 30-day protest period ended on March 8, 2003. (See, Affidavit of Publication filed February 24, 2003).

4. On June 6 and July 14, 2003, the District filed certifications of notification of all of its customers and of its resale customers verifying that the notification was provided as required by Procedural Rule 10.3.d. (See, Certifications filed June 6 and July 14, 2003).

5. The project will provide water service to 88 families who currently do not have public water service and will improve service to another 78 families. (See, Application; Further Final Joint Staff Memorandum and attachment filed June 16, 2003).

6. Funding for the project is as follows: a Rural Utilities Service loan in the amount of \$961,000, at an interest rate of 4.75%, for a term of 38 years; Rural Utilities Services grants in the amount of \$559,000; and Taylor County Public Service District funds on hand in the amount of \$80,000. Commitment letters and/or verification of availability of funds have been filed for all funding services. (See, application).

7. At going level, the District's current rates and charges generate a cash flow deficit of (\$74,527) and an inadequate debt service coverage of 71.23%. The Staff-recommended rates generate a cash surplus of \$28,595 and a barely adequate debt service coverage of 115.02%. The RUS loan requires a minimum debt service coverage of 115%. (Staff Report filed May 20, 2003, at Letter of Transmittal and Statement H).

8. Staff is of the opinion that the project is in the public interest, is adequately designed and funded, will serve the area at reasonable rates and should be approved. (See, Final Joint Staff Memorandum and Staff Report filed May 20, 2003; Further Final Joint Staff Memorandum and attachment filed May 23, 2003; Further Final Joint Staff Memorandum and attachment filed June 16, 2003).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the proposed project.

2. The proposed project will provide adequate service.

3. The project is adequately financed on a permanent basis and is economically feasible for Taylor County Public Service District.

4. The Staff-recommended rates and charges are reasonable and should be approved for all service provided after the project is substantially complete.

5. Good cause has been shown to waive formal hearing on this matter, pursuant to West Virginia Code §24-2-11, since no protests have been received to the project.

6. The issuance of this certificate of convenience and necessity shall be valid for the project as proposed. Any substantial changes in the scope of this project and/or funding after the granting of the certificate will require further approval from the Public Service Commission.

ORDER

IT IS, THEREFORE, ORDERED that a certificate of convenience and necessity be, and it hereby is, granted to Taylor County Public Service District to construct water distribution facilities to serve 88 new customers at Glade Run and Eby Road and to serve 78 existing customers at Thornton, in Taylor County, as set forth in the application filed herein on January 9, 2003.

IT IS FURTHER ORDERED that the proposed financing, consisting of a Rural Utilities Service loan in the amount of \$961,000, at 4.75% interest, for a term of 38 years; RUS grants in the amount of \$559,000; and District funds on hand in the amount of \$80,000, be, and hereby is, approved.

IT IS FURTHER ORDERED that the Staff-recommended rates and charges be, and they hereby are, approved, to become effective for all service rendered by Taylor County Public Service District on and after the date that this project is placed into service. Taylor County Public Service District shall file a revised tariff setting forth the rates and charges approved herein, within thirty (30) days from the date that the project is certified as complete. The approved rates and charges are attached hereto as Appendix A.

IT IS FURTHER ORDERED that a formal hearing in this matter be waived, pursuant to West Virginia Code 24-2-11, for the reasons that no protests were received after publication and there remain no outstanding issues to be litigated.

IT IS FURTHER ORDERED that the District notify the Commission as soon as the project is certified as complete.

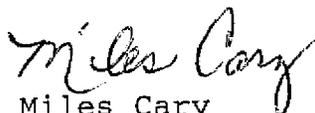
IT IS FURTHER ORDERED that, if there are any changes to the scope, plans or financing of the project, the District obtain Commission approval of such changes prior to commencing construction.

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

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

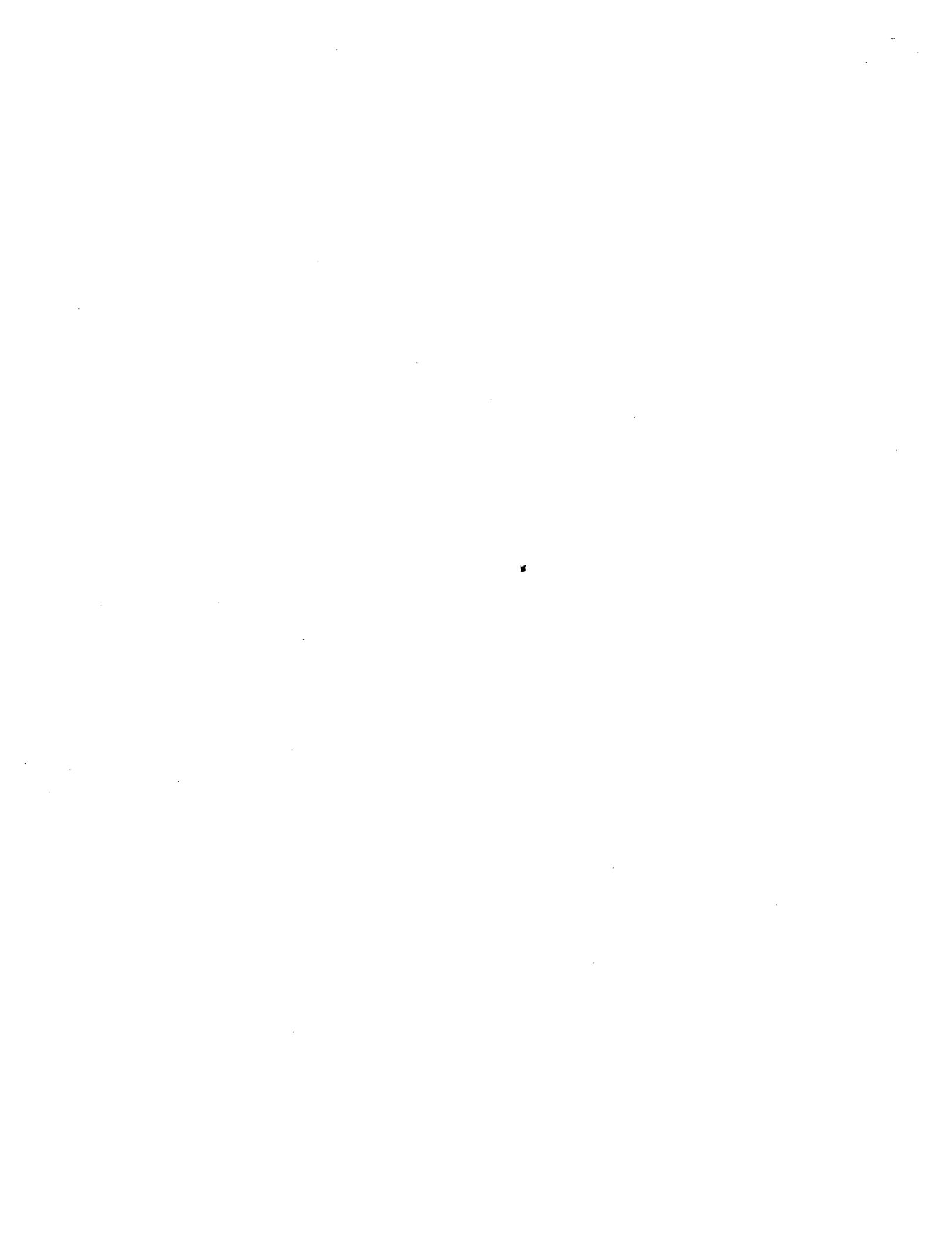
If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

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



Miles Cary
Administrative Law Judge

MC:jas
030026aa.wpd



TAYLOR COUNTY PUBLIC SERVICE DISTRICT

CASE NO. 03-0026-PWD-CN

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, and industrial service.

RATES

First 3,000 gals. used per month \$6.30 per 1,000 gals.
Next 3,000 gals. used per month \$5.16 per 1,000 gals.
Next 4,000 gals. used per month \$4.08 per 1,000 gals.
All over 10,000 gals. used per month \$3.25 per 1,000 gals.

MINIMUM CHARGE

No minimum bill will be rendered for less than \$18.90 per month, which is the equivalent of 3,000 gallons of water.

<u>Meter Size</u>	<u>Minimum Rate</u>	<u>Equivalent Gallons</u>
5/8" meter	\$ 18.90	3,000
3/4" meter	\$ 32.64	5,660
1" meter	\$ 51.42	10,220
1-1/2" meter	\$108.80	27,660
2" meter	\$171.13	46,950
3" meter	\$326.39	94,610

All water for resale to the City of Grafton, Haymond Public Service District, Mt. View Water Association and the Southwestern Water Association will be billed in accordance with the approved rate of \$0.86 per 1,000 gallons used per month.

All water for resale to the Haymond Public Service District and the Mt. View Water Association will be billed a \$0.30 transportation fee per 1,000 gallons used per month.

All water for resale to the Southwestern Water Association will be billed a \$0.15 transportation fee per 1,000 gallons used per month.

Reconnection \$20.00

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

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delay payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Tap Fee

A tap fee of \$100.00 will be charged to customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This pre-construction tap fee will be invalid after completion of construction adjacent to an applicant's premises that is associated with a certificate.

A tap fee of \$250.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

Leak Adjustment

\$0.20 per 1,000 gallons is to be used when a bill reflects unusual consumption that can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 29th day of August , 2003.

CASE NO. 03-0026-PWD-CN (REOPENED)

TAYLOR COUNTY PUBLIC SERVICE DISTRICT, a public utility.

Petition to reopen for Commission approval of an interim increase to cover the District's non-project related cost of service for the filtration plant which is separate from the distribution system for which a rate increase was authorized after the date the newly certificated project was placed into service.

CASE NO. 03-1429-PWD-19A

TAYLOR COUNTY PUBLIC SERVICE DISTRICT, a public utility.

Tariff Rule 19A application to increase rates and charges.

COMMISSION REFERRAL ORDER

The Commission clarifies an order which increased utility rates which were related to a certificate project and which were not related to the certificate project. The Commission also opens a new rate proceeding to consider whether further rate relief is warranted for Taylor County Public Service District.

BACKGROUND

On August 4, 2003, Taylor County Public Service District was granted a certificate of convenience and necessity for a project to improve its system at Thornton and to extend service on Glade Run and Ely Road. Rec. Dec. p. 4 (issued July 15, 2003, final Aug. 4, 2003). In that case, Taylor County had proposed a 25% rate increase. Id. p. 1. However, Staff advised that an additional 1.3% above Taylor County's proposed rates was necessary to provide debt service coverage. Letter of Transmittal p. 3, Staff's Report, attached to Final Joint Staff Memorandum (May 20, 2003).

Taylor County bills the customers of the former Thornton PSD \$19.56 per month for 4,500 gallons, and its Tygart Lake State Park/Knoxville area customers \$25.37 per month for the same amount of water. Rec. Dec. pp. 2-3. Staff proposed one set of rates for all of Taylor County's customers. Id. p. 3 & Appendix A. The ALJ approved Staff's proposed rates, to take effect for all service rendered when the project is placed in service. Id. & Appendix A.

On August 25, 2003, Taylor County asked the Commission to reopen the certificate proceeding and grant it an interim rate increase. Ltr. p. 1. Taylor County said that it needed rate relief now, and that the order granted a rate increase only after the project is complete, which will not be until late 2004 or early 2005, depending upon weather conditions. Id. Taylor County requested an interim increase of \$0.86 per thousand gallons, to cover costs related to its filtration plant. Id.

DISCUSSION

In Case Number 03-0036-PWD-CN, the Commission considered whether to grant Taylor County a certificate for its project, as well as whether to provide rate relief. Taylor County needed rate relief that was project related and rate relief that was not project related. In the petition to reconsider, Taylor County correctly states that the order only provided rate relief that will become effective when the project begins providing service. Accordingly, the Commission shall reopen the case to consider Taylor County's request for rate relief at an earlier time.

Upon review, the Commission has separated the project-related items from the non-project-related items in Staff's report, and concludes that \$20,000 in additional revenue is needed now by Taylor County to meet its debt service coverage requirements. Thus it is appropriate to grant Taylor County rate relief now, as it requests. This additional revenue requirement translates to a 3.5% across-the-board rate increase for all service rendered on or after the date of this order. The Commission wishes to make clear that it is not unifying Taylor County's rates at this time. The 3.5% across-the-board increase applies to Taylor County's rate classes as they presently exist. Since the Commission is simply accelerating the timing of the part of the rate increase which is not project-related, it is not necessary to provide notice of this increase.

Furthermore, it may be that additional non-project related rate relief is appropriate at this time for Taylor County. To consider this, the Commission will open a Tariff Rule 19A proceeding.

Within thirty (30) days of the date of this order, Taylor County shall file an original

and five (5) copies of a revised tariff reflecting this increase with the Commission.

For further proceedings, the Tariff Rule 19A case shall be referred to the Division of Administrative Law Judges. Staff shall continue to review Taylor County's non-project related costs and expenses to determine whether additional rate relief is warranted.

FINDINGS OF FACT

1. On August 4, 2003, Taylor County was granted a certificate to improve its system at Thornton and to extend service on Glade Run and Ely Road. Rec. Dec. p. 4 (issued July 15, 2003, final Aug. 4, 2003).

2. In that case, Taylor County had proposed a 25% rate increase. Id. p. 1. However, Staff advised that an additional 1.3% above Taylor County's proposed rates was necessary to provide debt service coverage. Letter of Transmittal p. 3, Staff's Report, attached to Final Joint Staff Memorandum (May 20, 2003).

3. The ALJ approved Staff's proposed rates, to take effect for all service rendered when the project is placed in service. Id. & Appendix A.

4. On August 25, 2003, Taylor County asked the Commission to reopen the certificate proceeding and grant it a rate increase now for non-project related costs. Ltr. p. 1. upon

CONCLUSIONS OF LAW

1. Since Taylor County's current revenues are insufficient to meet its debt service coverage requirements, it is appropriate to grant Taylor County rate relief now, as it requests.

2. The Commission should open a Tariff Rule 19A case to consider additional non-project related rate relief.

ORDER

IT IS THEREFORE ORDERED that Taylor County's petition to reopen Case Number 03-0026-PWD-CN is granted.

IT IS FURTHER ORDERED that Case Number 03-1429-PWD-19A is instituted to consider non-project related rate relief.

IT IS FURTHER ORDERED that Taylor County is granted a 3.5% across-the-board rate increase. The rates set forth in Appendix A are approved for all service rendered on or after the date of this order.

IT IS FURTHER ORDERED that within thirty (30) days of the date of this order, Taylor County shall file with the Commission an original and five (5) copies of a revised tariff reflecting this increase.

IT IS FURTHER ORDERED that Case Number 03-1429-PWD-19A is referred to the Division of Administrative Law Judges for a decision on or before April 26, 2004.

IT IS FURTHER ORDERED that Staff shall file its Audit Report in Case Number 03-1429-PWD-19A on or before December 8, 2003.

IT IS FURTHER ORDERED that if the participants desire an extension of the foregoing decision due date, they may seek an extension only upon formal application to the Commission.

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

CLW/rs
030026ca.wpd

A True Copy, Teste:



Sandra Squire
Executive Secretary

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

SCHEDULE 1

APPLICABILITY

Applicable to customers in the Tygart Lake State Park and Knottsville areas

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service

RATES

- (I) First 3,000 gallons used per month \$6.16 per 1,000 gallons
- (I) Next 3,000 gallons used per month \$5.19 per 1,000 gallons
- (I) Next 4,000 gallons used per month \$4.27 per 1,000 gallons
- (I) All over 10,000 gallons used per month \$3.56 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of meter installed, to wit:

- (I) 5/8 inch meter \$ 18.47 per month
- (I) 3/4 inch meter \$ 27.70 per month
- (I) 1 inch meter \$ 46.20 per month
- (I) 1- 1/2 inch meter \$ 92.35 per month
- (I) 2 inch meter \$ 147.75 per month
- (I) 3 inch meter \$ 277.05 per month

RECONNECTION CHARGE

\$20.00

TAP FEE

\$100.00 while line construction is adjacent to property or before construction

\$250.00 when construction is no longer adjacent to property

DELAYED PAYMENT PENALTY

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

(I) indicates increase in rates

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

SCHEDULE 2

APPLICABILITY

Applicable in entire territory formerly served by Thornton Public Service District

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service

RATES

(I)	First	2,000 gallons used per month	\$6.21 per 1,000 gallons
(I)	Next	8,000 gallons used per month	\$3.17 per 1,000 gallons
(I)	Next	10,000 gallons used per month	\$2.76 per 1,000 gallons
(I)	All over	20,000 gallons used per month	\$2.23 per 1,000 gallons

MINIMUM CHARGE

(I)	5/8	inch meter	\$12.42 per month
(I)	3/4	inch meter	\$18.63 per month
(I)	1	inch meter	\$31.05 per month
(I)	1 - 1/4	inch meter	\$45.33 per month
(I)	1 - 1/2	inch meter	\$62.10 per month
(I)	2	inch meter	\$99.36 per month

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within 20 days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

RECONNECTION CHARGE

A reconnection fee of \$10.00 will be assessed to reconnect service.

TAP FEE

\$150.00 in all cases

(I) indicates increase in rates

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

SCHEDULE 3

APPLICABILITY

Applicable to the bulk rate to be charged to the City of Grafton and water public service districts located in the county

AVAILABILITY OF SERVICE

Available for bulk sales to the City of Grafton and water public service districts located in the county

RATE

\$0.30 per 1,000 gallons
City of Grafton - Transportation Charge

RATE

- (I) \$0.79 per 1,000 gallons sold to the resale customers of Taylor County Public Service District

DELAYED PAYMENT PENALTY

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

(I) indicates increase in rates

(Automated 8-97)

LOAN RESOLUTION
(Public Bodies)A RESOLUTION OF THE Board of DirectorsOF THE Taylor County Public Service District

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

Water System

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Taylor County Public Service District*(Public Body)*

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

\$961,000pursuant to the provisions of Chapter 16, Article 13A, West Virginia Code; and**WHEREAS**, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:**NOW THEREFORE**, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.

- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ 663,600

under the terms offered by the Government; that the Chairman

and Secretary of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas 3 Nays 2 Absent 0

IN WITNESS WHEREOF, the Board of Directors of the

Taylor County Public Service District has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this Friday, 16th day of July, 2004

Taylor County Public Service District

By Robert G. Knotts
Robert G. Knotts
Title Chairman

(SEAL)

Attest: Edward Beasor
Title Secretary

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Chairman of the Taylor County Public Service District

hereby certify that the Board of Directors of such Association is composed of

4 members, of whom, 4 constituting a quorum, were present at a meeting thereof duly called and

held on the 14th day of July, 2004; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of July 16, 2004, the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this 16 day of July



Robert G. Knotts

Title Chairman

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

RECEIPT FOR BOND

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

1. On the 16th day of July, 2004, at Grafton, West Virginia, the undersigned received for the Purchaser the single, fully registered Taylor County Public Service District Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$961,000 (the "Bonds"), dated the date hereof, bearing interest at the rate of 4.5% per annum, payable in monthly installments as stated in the Bonds. The Bonds represent the entire above-captioned Bond issue.

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

3. At the time of such receipt, there was paid to the Issuer the sum of \$114,600, being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

WITNESS my signature on this 16th day of July, 2004.



Authorized Representative

07/09/04
888140.00001

91-12

TAYLOR COUNTY PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2004 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

\$961,000

FOR VALUE RECEIVED, TAYLOR COUNTY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of NINE HUNDRED SIXTY-ONE THOUSAND DOLLARS (\$961,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 12 months after the date hereof, and \$4,363, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolutions and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted July 14, 2004, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING WATER REVENUE BONDS OF THE BORROWER:

(i) WATER REVENUE BONDS, SERIES 1996 A, DATED FEBRUARY 1, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$350,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS;

(ii) WATER REVENUE BONDS, SERIES 1996 B, DATED FEBRUARY 1, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$129,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS; AND

(iii) WATER REFUNDING REVENUE BONDS, SERIES 1996 C,
DATED SEPTEMBER 26, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL
AMOUNT OF \$1,454,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, TAYLOR COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

By: Robert B. Zandt
Its: Chairman, Public Service Board
Post Office Box 202
Grafton, West Virginia 26354

ATTEST:

By: Edward Berner
Its: Secretary, Public Service Board

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$114,600	July 16, 2004	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	
TOTAL		\$	

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:

07/01/04
888140.00001



Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

Bank One Center, Seventh Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoelaw.com

Writer's Contact Information

July 16, 2004

Taylor County Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

Taylor County Public Service District
Grafton, West Virginia

United States Department of Agriculture
Parkersburg, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Taylor County Public Service District in Taylor County, West Virginia (the "Issuer"), of its \$961,000 Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted July 14, 2004, (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds on a parity with the Issuer's Water Revenue Bonds, Series 1996 A, dated February 1, 1996, issued in the original aggregate principal amount of \$350,000 (the "Series 1996 A Bonds"), the Water Revenue Bonds, Series 1996 B, dated February 1, 1996, issued in the original aggregate principal amount of \$129,000 (the "Series 1996 B Bonds"), and the Water Refunding Revenue Bonds, Series 1996 C, dated September 26, 1996, issued in the original aggregate principal amount of \$1,454,000 (the "Series 1996 C Bonds") (collectively, the "Prior Bonds").

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

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

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

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

Very truly yours,


STEPTOE & JOHNSON PLLC



Fairmont Office
99 FAIRMONT AVENUE
P.O. BOX 789
FAIRMONT, WV 26555-0789
TELEPHONE (304) 367-1514
FAX (304) 367-1533

Grafton Office
241 WEST MAIN STREET
P.O. BOX 654
GRAFTON, WV 26354-0654
TELEPHONE (304) 265-0404
FAX (304) 265-0484

Philippi Office
42 S. MAIN STREET
P.O. BOX 298
PHILIPPI, WV 26416-0298
TELEPHONE (304) 457-3341
FAX (304) 457-3343

bobgorey@verizon.net

Please Reply To:

Grafton

July 16, 2004

RE: Taylor County Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

Taylor County Public Service District
Grafton, West Virginia

United States Department of Agriculture
Parkersburg, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Taylor County Public Service District, a public service district in Taylor County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted July 14, 2004 (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Taylor County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.
2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
3. The Resolution has been duly adopted by the Issuer and is in full force and effect.

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.
5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the design, acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from The County Commission of Taylor County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.
6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds or the Resolution, the design, acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Sincerely,



ROBERT C. GOREY, JR.
Attorney at Law

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Taylor County Public Service District in Taylor County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify in connection with the Taylor County Public Service District Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$961,000 and bearing interest at a rate of 4.50% per annum (the "Bonds" or the "Series 2004 A Bonds"), as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Bonds has been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural

Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions of the Purchaser, dated June 27, 2001, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted June 14, 2004, authorizing issuance of the Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Bonds are being issued on this date to finance a portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

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

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

The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered on July 15, 2003, in Case No. 03-0026-PWD-CN, as amended by the Commission Referral Order entered on August 29, 2003, and the Commission Order entered on November 13, 2003 in said case, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the rates and charges. The time for appeal of said Recommended Decision, Commission Referral Order and Commission Order have expired prior to the date hereof without appeal.

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

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2004 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bonds, Series 1996 A, dated February 1, 1996, issued in the original aggregate principal amount of \$350,000 (the "Series 1996 A Bonds"), the Water Revenue Bonds, Series 1996 B, dated February 1, 1996, issued in the original aggregate principal amount of \$129,000 (the "Series 1996 B Bonds"), and Water Refunding Revenue Bonds, Series 1996 C, dated September 26, 1996, issued in the original aggregate principal amount of \$1,454,000 (the "Series 1996 C Bonds") (collectively, the "Prior Bonds"). Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2004 A Bonds as to liens, pledge and/or source of and security for payment.

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

5. **SIGNATURES, ETC.:** The undersigned Chairman and Secretary did, for the Issuer on the date of delivery of the Bonds on the date hereof, officially execute and seal the Bonds with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected, appointed, qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer.

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

Bond Resolution

Series 1996 A Bond Resolution

Series 1996 B Bond Resolution

Series 1996 C Bond Resolution

Consent of USDA, RUS to Issuance of Parity Bonds

Consent of BB&T to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

County Commission Orders Creating the District

County Commission Orders of Appointment of Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Notice of Meeting to Adopt Bond Resolution

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

United States Department of Agriculture Letter of Conditions and Closing Instructions

United States Department of Agriculture Grant Agreement

Receipt of Depository Bank

7. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the Issuer is "Taylor County Public Service District." The Issuer is a public service district and public corporation duly created by The County Commission of Taylor County and presently existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 4 duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Robert G. Knotts	June 6, 1999	June 5, 2005
James W. Riggleman	June 6, 2003	June 5, 2009
Edward Beavers	June 6, 2003	June 5, 2009
Carol Klepfel	_____	_____
Vacancy		

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2004 are as follows:

Chairman	-	Robert G. Knotts
Secretary	-	Edward Beavers

The duly appointed and acting Attorney for the Issuer is Robert C. Gorey, Jr., Esquire, of Fairmont, West Virginia.

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

At the time of delivery of the Bonds, the amount of \$114,600 was received by the undersigned Chairman, being a portion of the principal amount of Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Bonds are dated the date hereof, and interest on advances of the principal thereof at a rate of 4.50% per annum is payable from the date of each such advance.

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

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

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

appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

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

12. **CONNECTIONS, ETC.:** The Issuer will serve at least 1,072 bona fide full-time users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

14. **ADDITIONAL FUNDING:** As of the date hereof, the grant from the Purchaser in the total amount of \$663,600 is committed and in full force and effect and the funds from the Issuers in the amount of \$80,000 are committed hereto.

15. **CONSENT OF PRIOR BONDHOLDERS:** The Issuer has obtained consent from the Prior Bondholder to issue the Bonds on a parity with the Prior Bonds.

16. **CONFLICT OF INTEREST:** No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Bond Resolution and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Bond Resolution. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

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

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

WITNESS our signatures and the official seal of TAYLOR COUNTY
PUBLIC SERVICE DISTRICT on this 16th day of July, 2004.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Robert G. Knott

Chairman

Edward Bauer

Secretary

Robert A. Long Jr.

Attorney for Issuer

07/01/04
888140.00001

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

I, Morgan K. Coast, Registered Professional Engineer, West Virginia License No. 8261, of Vaughn, Coast & Vaughn, Inc., St. Clairsville, Ohio, hereby certify that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing waterworks system (the "System") of Taylor County Public Service District (the "Issuer"), to be acquired and constructed primarily in Taylor County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

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

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

WITNESS my signature on this 16th day of July, 2004.



VAUGHN, COAST & VAUGHN, INC.
Morgan K. Coast
Morgan K. Coast, P.E.
West Virginia License No. 8261

01/16/04
888140.00001

GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone: (304) 366-4295
Fax: (304) 366-4311

July 16, 2004

Taylor County Public Service District
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

Taylor County Public Service District
Grafton, West Virginia

United States Department of Agriculture
Parkersburg, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the water rates and changes set forth in the Commission Referral Order of the Public Service Commission of West Virginia in Case No. 03-0026-PWD-CN (Reopened), entered August 29, 2003, as revised by the Commission Order entered November 13, 2003, in said case, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by Vaughn, Coast, & Vaughn, Inc., the Consulting Engineer to Taylor County Public Service District (the "Issuer"), it is my opinion that such rates and charges will be sufficient to provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Prior Bonds, as defined in the Bond Resolution, and the Water Revenue Bonds, Series 2004 A (United States Department of Agriculture) (the "Bonds"), and sufficient to make the payments into the Prior Bonds Reserve Funds, the Series 2004 A Bonds Reserve Fund and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such Fiscal Year.

It is further my opinion that (i) the Net Revenues for the Fiscal Year following the year in which the Bonds are issued will be at least 115% of the average annual debt service requirements on the Bonds and the Prior Bonds and that (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion

July 16, 2004
Page 2

of the improvements to be financed by the Bonds, are not less than 110% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Bonds and the Prior Bonds.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary K. Bennett". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Gary K. Bennett
Certified Public Accountant

Court Order 22

The Taylor County Commission met on March 6, 1990 at 4:00 P.M. Those present were: James A. Kinsey & Thomas R. Spadafore also present were: Taylor County PSD Board and representatives of the City of Grafton, Chuck Poe, and Danny Ellis, PSC.

The County Plan as it now exists is a Draft Copy. The cost analysis study will need to be done before it is complete. It is scheduled to begin in May, 1990.

All interested persons participated in a discussion of the Knottsville water project, and "the loop" in Lucretia. The Thornton PSD was also an issue

The Commission recommended that a joint application be filed between City of Grafton and Taylor County PSD for Knottsville water system, merge Thornton PSD, and loop at Lucretia. Chuck Poe will coordinate this project with 2 members representing Taylor County PSD and 2 members representing City of Grafton and final approval on proposal by the Taylor County Commission.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to request both applicants withdraw their proposal from FmHA subject to advise from FmHA. Motion Carried Unanimously.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to approve Notice of Public Hearing on Enlargement of the Powers of Taylor County Public Service District. The Hearing will be held on April 2, 1990 at 4:00 P.M. Motion Carried Unanimously.

Chuck Poe requested an executive session on a personnel matter.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to write a letter to the Solid Waste Authority commending them on a good job. Motion Carried Unanimously.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to approve budget revisions and journal entries as follows:

310	+2,750.00	378	+500.00
401-11-40	+950.00	706-66-70	+4,000.00
401-56-65	-950.00	712-66-70	+500.00
460-41-55	+2,750.00		
372	+4,000.00		

Journal Entries

401-15	+1,100.00	403-05	+1,300.00
401-19	-1,100.00	403-06	-1,300.00
401-05	+15.00	404-05	+2,200.00
401-06	-15.00	404-06	-2,200.00
402-05	+750.00	405-05	+1,750.00
402-06	-750.00	405-06	-1,750.00

441-05	+1,018.00	460-03	+4,000.00
441-06	-1,018.00	460-04	+11,000.00
456-05	+4,000.00	460-06	-15,000.00
456-06	-4,000.00		

James A. Kinsey made a motion seconded by Thomas R. Spadafore to approve the bills as follows:

General County	20,615.14
Magistrate	113.31
CH. Cap. Imp.	302.54
Dog Tax	305.79
Coal Severance	<u>1,331.28</u>
TOTAL	\$22,668.06

No further business came before the Commission. Meeting adjourned at

7:30 P.M.

 Clerk

RESOLUTION AND ORDER PROPOSING THE ENLARGEMENT OF THE
POWERS OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT

WHEREAS, the County Commission of Taylor County, deeming it to be in the public interest, on its own motion proposes the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district or water association,

WHEREAS, pursuant to the provisions of Article 13A of Chapter 16 of the West Virginia Code, as amended, a public hearing is required to be held relative to the enlargement of the powers of Taylor County Public Service District.

NOW, THEREFORE, be it ordered by the County Commission of Taylor County, West Virginia, as follows:

SECTION 1: The County Commission of Taylor County deeming it to be in the public interest, hereby proposes the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district or water association.

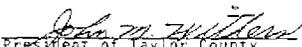
SECTION 2: On the 2nd day of April, 1990, at the hour of 4:00 P.M., this County Commission shall meet in the County Courtroom at the Courthouse at Grafton, West Virginia, for the purpose of conducting a public hearing on the enlargement of the powers of Taylor County Public Service District, at which time and place all persons interested in or owning or having any interest in property in the territory of Taylor County Public Service District may appear and shall have an opportunity to be heard for and against the enlargement of the powers of the district, and at such hearing the County Commission shall consider and determine the feasibility of the enlargement of the powers of the district.

SECTION 3: The Clerk of the County Commission is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out, to be published on March 21, 1990 in a newspaper of general circulation published in Taylor County and to post notices of such hearing in accordance with the requirements of said Article 13A of Chapter 16.

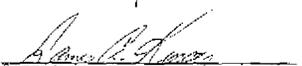
NOTICE OF PUBLIC HEARING ON ENLARGEMENT OF THE POWERS
OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Notice is hereby given that, deeming it to be in the public interest, the County Commission of Taylor County, West Virginia, on its own motion has proposed the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district, or water association.

All persons residing in or owning or having any interest in property in the territory of Taylor County Public Service District are hereby notified that the County Commission of Taylor County will conduct a public hearing on the 2nd day of April, 1990, at 4:00 P.M. in the office of the County Commission in the Courthouse of Grafton, West Virginia, at which time and place all interested persons may appear before the County Commission and shall have an opportunity to be heard for and against the enlargement of the powers of Taylor County Public Service District. By order of the County Commission of Taylor County, this 6th day of March, 1990.


President of Taylor County
Commission


Commissioner

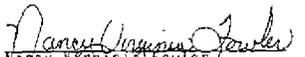

Commissioner

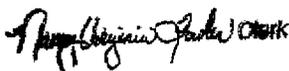
NOTICE OF PUBLIC HEARING ON ENLARGEMENT OF THE POWERS
OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Notice is hereby given, that deeming it to be in the public interest, the County Commission of Taylor County, West Virginia, on its own motion has proposed the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district, or water association.

All persons residing in or owning or having any interest in property in the territory of Taylor County Public Service District are hereby notified that the County Commission of Taylor County will conduct a public hearing on the 2nd day of April, 1990, at 4:00 P.M. in the office of the County Commission in the Courthouse of Grafton, West Virginia, at which time and place all interested persons may appear before the County Commission and shall have an opportunity to be heard for and against the enlargement of the powers of Taylor County Public Service District. By order of the County Commission of Taylor County, this 5th day of March, 1990.

ATTEST:


Nancy Virginia Fowler
Clerk of the County Commission
of Taylor County, West Virginia

A Copy Teste
 Clerk

ORDER

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

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

NOW, THEREFORE, BE IT ORDERED by The County Commission of Taylor County, West Virginia, as follows:

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

Section 2. A. The name and corporate title of said public service district shall be the Taylor County Public Service District (the "District").

B. The territory to be embraced in the District shall be the entire territory of Taylor County, excluding the Town of Flemington and subject to the provisions and conditions hereinafter set forth.

C. The purpose of the District shall be to construct or acquire by rental, purchase or otherwise and maintain, operate and improve a water treatment plant to provide potable water in bulk sales only to municipal corporations and presently existing and future public service districts and water associations within the District.

D. The territory described above includes within its limits the territory of other public service districts organized under said Article 13A of Chapter 16, and also includes within its limits the City of Grafton, a municipal corporation, and water associations. However, the City of Grafton plans to cease selling water to wholesale customers (public bodies) because of the inadequacy of its water treatment plant, and the new water treatment plant will serve all those public bodies within Taylor County desiring to purchase water upon bulk sales.

E. The District will not be authorized or empowered to provide water distribution or sewage collection or treatment services or gas distribution services without the further and express order of the County Commission, and then only, as to such municipal corporations, public service districts and water associations, upon prior written consent therefor by any such entity affected.

F. The District will not hold itself out to provide any service whatever other than the bulk sale of potable water to such entities desiring to purchase water from the District through master meters under contracts executed by the District and the entities desiring to so purchase water.

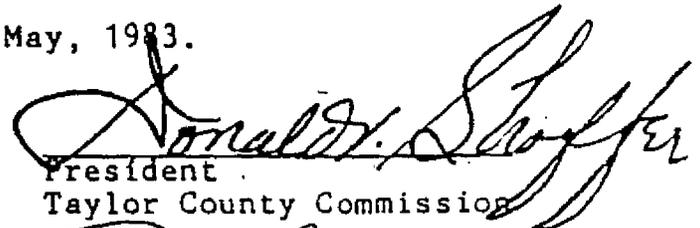
G. The reasons for making the territory of the District the same as the territory of the County of Taylor, excluding the Town of Flemington, are to facilitate financing of the water treatment plant and to enable the County Commission to appoint members to the public service board of the District who must be residents of the District and who may also be residents of a public service district or municipal corporation within the territory of the District.

Section 3. On the 6th day of June, 1983, at the hour of 9:00 A.M., this County Commission shall meet in the County Courtroom in the courthouse at Grafton, West Virginia, for the purpose of conducting a public hearing on the creation of the proposed District, at which time and place all persons residing in or owning or having any interest in property in the proposed District may appear and shall have an opportunity to be heard for and against the creation of the District, and, at such hearing, the County Commission shall consider and determine the feasibility of the creation of the proposed District.

Section 4. The Clerk of this County Commission is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on May 24, 1983 in a newspaper of general circulation published in Taylor County, and to post notices

of such hearing in accordance with the requirements of said Article 13A of Chapter 16.

Dated this 12th day of May, 1983.


President
Taylor County Commission


Commissioner


Commissioner

A Copy Teste

 Clerk

Grafton, West Virginia

June 6, 1983

The County Commission of Taylor County, West Virginia, assembled in regular session, pursuant to law and to the rules of said Commission at the County Court House in Grafton, West Virginia, at 9:00 A.M. The meeting was called to order and the roll being called, there were present: Donald V. Shaffer, President, presiding, and the following named Commissioners: Richard Coplin, Robert Duckworth.

Absent: None

This being the date fixed by prior order of the said County Commission for conducting the public hearing on the creation of the proposed Taylor County Public Service District. The president announced that all such persons residing in or owning or having any interest in property in such proposed public service district desiring to be heard for or against the creation of said district would be heard, and all such interested persons desiring to be heard were given full opportunity.

The County Commission then further discussed the creation of said proposed public service district,

whereupon, Donald V. Shaffer introduced and caused to be read a proposed resolution and order entitled "A Resolution and Order Proposing the Creation of the Taylor County Public Service District", and further moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted. Thereupon, a motion was made and seconded that said proposed resolution and order be adopted and after due consideration, the President put the question on the motion and the said motion carried unanimously.

Whereupon, the President declared the motion duly carried and said Resolution and Order duly adopted.

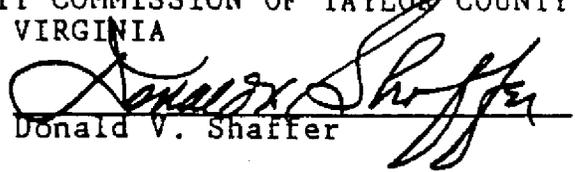
Donald V. Shaffer then introduced and caused to be read a proposed resolution and order entitled "A Resolution and Order Appointing Members to the Taylor County Public Service District". The President then moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted. The said motion was made and seconded and after due consideration the President put the question on the

motion and a vote being taken the motion and resolution carried unanimously.

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

COUNTY COMMISSION OF TAYLOR COUNTY,
WEST VIRGINIA

By:


Donald V. Shaffer

Its President

ATTEST:


Clerk

A Copy Teste

 Clerk

RESOLUTION AND ORDER CREATING THE TAYLOR COUNTY
PUBLIC SERVICE DISTRICT

Whereas, the County Commission of Taylor County, West Virginia, did heretofore by a resolution and order adopted May 12, 1983, propose the creation of a public service district within Taylor County, West Virginia, as provided by Article 13A of Chapter 16 of the West Virginia Code, the name and corporate title of said public service district to be The Taylor County Public Service District, and did fix a date for a public hearing on the creation of the proposed Taylor County Public Service District and in and by said resolution and order provide that all persons residing in or owning or having any interest in property in the proposed public service district might appear before the County Commission at a meeting to be held June 6, 1983, at 9:00 A.M. and have the opportunity to be heard for and against the creation of said district, and

WHEREAS, notice of said hearing was duly given in the manner provided and required by said resolution and order and by said Article 13A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the creation of said district, and that no written protest has been filed by the requisite number of qualified voters registered and residing within said proposed public service district, and

said County Commission has given due consideration to all matters for which said hearing was ordered, and

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

NOW, THEREFORE, be it, and it is hereby resolved and ordered by the County Commission of Taylor County, West Virginia, as follows:

I. *

Finding it to be in the public interest, a public service district within Taylor County, West Virginia, is hereby created as provided by Article 13A of Chapter 16 of the West Virginia Code.

II.

A. The name and corporate title of said public service district shall be The Taylor County Public Service District (the District).

B. The territory to be embraced in the District shall be the entire territory of Taylor County, excluding the Town of Flemington and subject to the provisions and conditions hereinafter set out.

C. The purpose of the District shall be to

construct or acquire by rental, purchase or otherwise and maintain, operate and improve a water treatment plant to provide potable water in bulk sales only to municipal corporations and presently existing and future public service districts and water associations within the District.

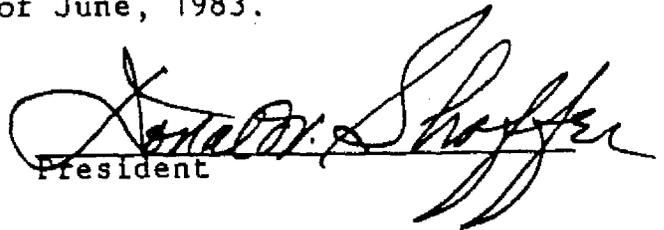
D. The territory described above includes within its limits the territory of other public services districts organized under said Article 13A of Chapter 16, and also includes within its limits the City of Grafton, a municipal corporation, and water associations. However, the City of Grafton plans to cease selling water to wholesale customers (public bodies) because of the inadequacy of its water treatment plant, and the new water treatment plant will serve all those public bodies within Taylor County desiring to purchase water upon bulk sales.

E. The District will not be authorized or empowered to provide water distribution or sewage collection or treatment services or gas distribution services without the further and express order of the County Commission, and then only, as to such municipal corporations, public service districts and water associations, upon prior written consent therefor by any such entity affected.

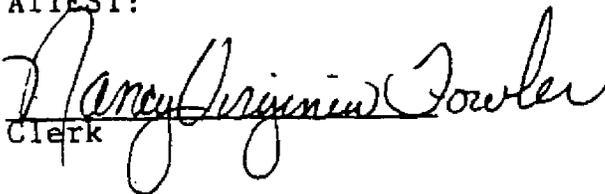
F. The District will not hold itself out to provide any service whatever other than the bulk sale of potable water to such entities desiring to purchase water from the District through master meters under contracts executed by the District and the entities desiring to so purchase water.

G. The reasons for making the territory of the District the same as the territory of the County of Taylor, excluding the Town of Flemington, are to facilitate financing of the water treatment plant and to enable the County Commission to appoint members to the public service board of the District who must be residents of the District and who may also be residents of a public service district or municipal corporation within the territory of the District.

Adopted by the County Commission of Taylor County, West Virginia, this 6th day of June, 1983.


President

ATTEST:


Clerk

A Copy Teste

 Clerk

The Taylor County Commission met on September 9, 1983 at 9:00 A.M. Those present were: Donald V. Shaffer, Richard W. Coplin & Robert L. Duckworth.

It was determined that the legal requirements had not been met to conduct Hearing set for this date. Richard W. Coplin made a motion seconded by Donald V. Shaffer to approve a Resolution and Order Setting a Date to Enlarge the Taylor County Public Service District for the best interest of Taylor County. The Hearing date will be October 3, 1983 at 9:00 A.M. Motion Carried Unanimously.

No further business came before the Commission. Meeting adjourned at 9:15 A.M.

RESOLUTION AND ORDER PROPOSING THE ENLARGEMENT OF THE TAYLOR COUNTY PUBLIC SERVICE DISTRICT.

WHEREAS, the County Commission of Taylor County deeming it to be in the public interest on its own motion proposes the enlargement of the Taylor County Public Service District to include the Town of Flemington, West Virginia,

WHEREAS, pursuant to the provisions of Article 13A of Chapter 16 of the West Virginia Code, a public hearing is required to be held relative to the enlargement of the Taylor County Public Service District.

NOW, THEREFORE, be it ordered by the County Commission of Taylor County, West Virginia, as follows:

SECTION 1: The County Commission of Taylor County deeming it to be in the public interest hereby proposes the enlargement of the Taylor County Public Service District to include the Town of Flemington, as provided by Article 13A of Chapter 16 of the West Virginia Code.

SECTION 2: On the 3rd day of October, 1983, at the hour of 9:00 A.M. this County Commission shall meet in the County Courtroom at the Courthouse at Grafton, West Virginia for the purpose of conducting a public hearing on the enlargement of the Taylor County Public Service District at which time and place all persons residing in or owning or having any interest in property in the Taylor County Public Service District or in the proposed area to be included in the Taylor County Public Service District may appear and shall have an opportunity to be heard for and against the enlargement of the District, and at such hearing the County Commission shall consider and determine the feasibility of the enlargement of the District.

SECTION 3: The Clerk of the County Commission is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out, to be published on September 16, 1983, in a newspaper of general circulation published in Taylor County and to post notices of such hearing in accordance with the requirements of said Article 13A of Chapter 16.

NOTICE OF PUBLIC HEARING ON ENLARGEMENT OF THE TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Notice is hereby given that, deeming it to be in the public interest, the County Commission of Taylor County, West Virginia, on its own motion has proposed the enlargement of the Taylor County Public Service District to include the Town of Flemington.

All persons residing in or owning or having any interest in property in the Taylor County Public Service District or in the Town of Flemington, the proposed enlargement area, are hereby notified that the County Commission of Taylor County will conduct a public hearing on the 3rd day of October, 1983, at 9:00 A.M. in the Office of the County Commission in the Courthouse of Grafton, West Virginia, at which time and place all interested persons may appear before the County Commission and shall have an opportunity to be heard for and against the enlargement of the Taylor County Public Service District. By order of the County Commission of Taylor County this 9th day of September, 1983.

Donald V. Shaffer
President of the Taylor County Commission
Richard W. Coplin
Commissioner
Robert L. Duckworth
Commissioner

NOTICE OF PUBLIC HEARING ON ENLARGEMENT OF THE TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Notice is hereby given that, deeming it to be in the public interest, the County Commission of Taylor County, West Virginia, on its own motion has proposed the enlargement of the Taylor County Public Service District to include the Town of Flemington.

All persons residing in or owning or having any interest in property in the Taylor County Public Service District or in the Town of Flemington, the proposed enlargement area, are hereby notified that the County Commission of Taylor County will conduct a public hearing on the 3rd day of October, 1983, at 9:00 A.M. in the Office of the County Commission in the Courthouse of Grafton, West Virginia, at which time and place all interested persons may appear before the County Commission and shall have an opportunity to be heard for and against the enlargement of the Taylor County Public Service District. By order of the County Commission of Taylor County this 9th day of September, 1983.

ATTEST:

Nancy Virginia Fowler
Clerk of the County Commission of Taylor County, West Virginia

Nancy Virginia Fowler Clerk

A Copy Teste

Nancy Virginia Fowler Clerk

Grafton, West Virginia

October 3, 1983

The County Commission of Taylor County, West Virginia, assembled in regular session pursuant to law and to the rules of said Commission at the County Courthouse in Grafton, West Virginia, at 9:00 A.M. The meeting was called to order and the roll being called, there were present Donald V. Shaffer, President, presiding and the following named Commissioners: Richard Coplin, Robert Duckworth.

Absent: None

This being the date fixed by prior order of the said County Commission for conducting the public hearing on the enlargement of the Taylor County Public Service District. The President announced that all such persons residing in or owning or having any interest in property in the Taylor County Public Service District or within the proposed area of enlargement or any other interested person or persons desiring to be heard for or against the enlargement of said district would be heard, and all such interested persons desiring to be heard were given full opportunity.

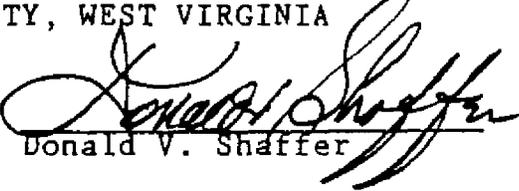
The County Commission then further discussed the enlargement of said district. Whereupon, Donald V. Shaffer introduced and caused to be read a proposed resolution and

order entitled resolution and order proposing the enlargement of the Taylor County Public Service District and further moved that all rules otherwise requiring deferred consideration or several readings be suspended, and said proposed resolution and order be adopted. Thereupon a motion was made and seconded that said proposed resolution and order be adopted and after due consideration, the President put the question on the motion and said motion carried unanimously.

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

COUNTY COMMISSION OF TAYLOR
COUNTY, WEST VIRGINIA

By:


Donald V. Shaffer

Its President

ATTEST:

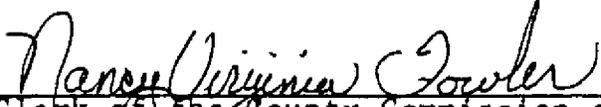
Clerk



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

I, Nancy Virginia Fowler, do hereby certify that I am the duly qualified and acting Clerk of the County Commission of Taylor County, West Virginia, and that the foregoing constitutes a true, correct and complete transcript of the proceedings of said County Commission had under date of October 3, 1983, pertaining to the resolutions and orders then adopted relating to the enlargement of the Taylor County Public Service District.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and seal of said Commission at Grafton, West Virginia, this 3rd day of October, 1983.


Clerk of the County Commission of
Taylor County, West Virginia

A Copy Teste

 Clerk

RESOLUTION AND ORDER ENLARGING THE TAYLOR COUNTY
PUBLIC SERVICE DISTRICT

WHEREAS, the County Commission of Taylor County, West Virginia, did heretofore by a resolution and order adopted September 9, 1983, propose the enlargement of the Taylor County Public Service District as provided by Article 13A of Chapter 16 of the West Virginia Code, and did fix a date for a public hearing on the enlargement of the Taylor County Public Service District, and in and by said resolution and order provide that all persons residing in or owning or having any interest in property in the Taylor County Public Service District or in the proposed area of enlargement or any other persons interested might appear before the County Commission at a meeting to be held October 3, 1983, at 9:00 A.M. and have the opportunity to be heard for and against the enlargement of said District, and

WHEREAS, notice of said hearing was duly given in the manner provided and required by said resolution and order and by said Article 13A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the enlargement of said District and that no written protest has been filed by the requisite number of qualified voters registered and residing within the said Public Service District or within the proposed area of enlargement and said

County Commission has given due consideration to all matters for which said hearing was ordered, and

WHEREAS, it is now deemed desirable by said County Commission to adopt a resolution and order enlarging said district.

NOW, THEREFORE, be it and it is hereby resolved and ordered by the County Commission of Taylor County, West Virginia, that the Taylor County Public Service District is hereby enlarged to include the Town of Flemington, making the territory now embraced in the District, the entire territory of Taylor County.

Adopted by the County Commission of Taylor County, West Virginia, this 3rd day of October, 1983.

Donald Shaffer
President

ATTEST: *Nancy Virginia Fowler*
Clerk

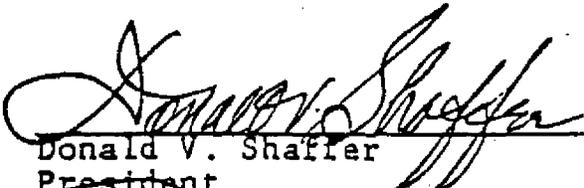
A Copy Teste
Nancy Virginia Fowler Clerk

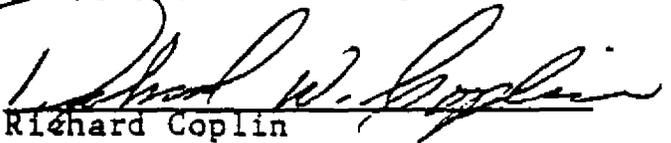
IN THE COUNTY COMMISSION OF TAYLOR COUNTY, WEST VIRGINIA

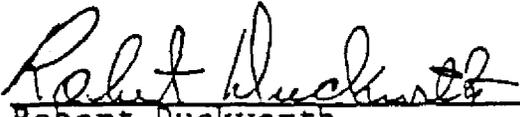
ORDER

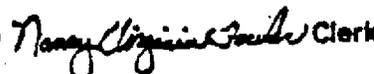
At a regular meeting of the Taylor County Commission held June 4, 1984, at the office of the Commission at the Courthouse in Grafton, West Virginia, by motion made, seconded and unanimously passed, the name of THE TAYLOR COUNTY PUBLIC SERVICE DISTRICT as formed by a previous order of this Commission on June 6, 1983 is hereby amended and said district shall henceforth be known as TAYLOR COUNTY PUBLIC SERVICE DISTRICT.

Entered and made effective this 4th day of June, 1984.


Donald V. Shaffer
President


Richard Coplin


Robert Duckworth

A Copy Tasted  Clerk

RESOLUTION AND ORDER PROPOSING THE ENLARGEMENT OF THE
POWERS OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT

WHEREAS, the County Commission of Taylor County, deeming it to be in the public interest, on its own motion proposes the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district or water association,

WHEREAS, pursuant to the provisions of Article 13A of Chapter 16 of the West Virginia Code, as amended, a public hearing is required to be held relative to the enlargement of the powers of Taylor County Public Service District.

NOW, THEREFORE, be it ordered by the County Commission of Taylor County, West Virginia, as follows:

SECTION 1: The County Commission of Taylor County deeming it to be in the public interest, hereby proposes the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district or water association.

SECTION 2: On the 2nd day of April, 1990, at the hour of 4:00 P.M., this County Commission shall meet in the County Courtroom at the Courthouse at Grafton, West Virginia, for the purpose of conducting a public hearing on the enlargement of the powers of Taylor County Public Service District, at which time and place all persons interested in or owning or having any interest in property in the territory of Taylor County Public Service District may appear and shall have an opportunity to be heard for and against the enlargement of the powers of the district, and at such hearing the County Commission shall consider and determine the feasibility of the enlargement of the powers of the district.

SECTION 3: The Clerk of the County Commission is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out, to be published on March 21, 1990 in a newspaper of general circulation published in Taylor County and to post notices of such hearing in accordance with the requirements of said Article 13A of Chapter 16.

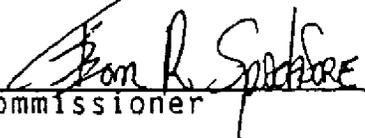
NOTICE OF PUBLIC HEARING ON ENLARGEMENT OF THE POWERS
OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Notice is hereby given that, deeming it to be in the public interest, the County Commission of Taylor County, West Virginia, on its own motion has proposed the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district, or water association,

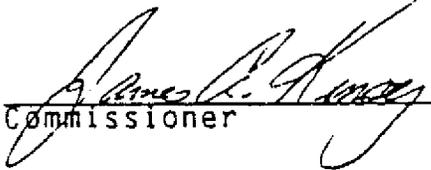
All persons residing in or owning or having any interest in property in the territory of Taylor County Public Service District are hereby notified that the County Commission of Taylor County will conduct a public hearing on the 2nd day of April, 1990, at 4:00 P.M. in the office of the County Commission in the Courthouse of Grafton, West Virginia, at which time and place all interested persons may appear before the County Commission and shall have an opportunity to be heard for and against the enlargement of the powers of Taylor County Public Service District. By order of the County Commission of Taylor County, this 6th day of March, 1990.



President of Taylor County
Commission



Commissioner



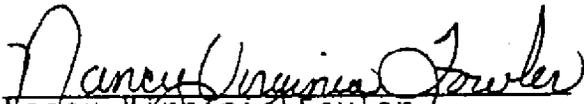
Commissioner

NOTICE OF PUBLIC HEARING ON ENLARGEMENT OF THE POWERS
OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Notice is hereby given, that deeming it to be in the public interest, the County Commission of Taylor County, West Virginia, on its own motion has proposed the enlargement of the powers of Taylor County Public Service District to allow construction, maintenance, and operation of water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not now served by a municipal corporation, public service district, or water association,

All persons residing in or owning or having any interest in property in the territory of Taylor County Public Service District are hereby notified that the County Commission of Taylor County will conduct a public hearing on the 2nd day of April, 1990, at 4:00 P.M. in the office of the County Commission in the Courthouse of Grafton, West Virginia, at which time and place all interested persons may appear before the County Commission and shall have an opportunity to be heard for and against the enlargement of the powers of Taylor County Public Service District. By order of the County Commission of Taylor County, this 5th day of March, 1990.

ATTEST:


Nancy Virginia Fowler
Clerk of the County Commission
of Taylor County, West Virginia

A Copy Teste

 Clerk

Court Order 22

The Taylor County Commission met on April 2, 1990 at 4:00 P.M. Those present were: John M. Withers, James A. Kinsey & Thomas R. Spadafore.

A motion was made by Thomas R. Spadafore seconded by John M. Withers to approve Minutes of last two meetings as recorded. Motion Carried Unanimously.

A motion was made by Thomas R. Spadafore seconded by John M. Withers to approve Improper Tax Assessments as submitted by the Assessor.

Moran, Donald P. & Grace Ann.	Ref. 10.80
Harman Construction, Inc.	Ref. 876.29
Foley, Charles W. Jr. & Tammy	Ref. 26.35
Constable, Joseph A. & Mazie	Ref. 29.85
James W. Thompson, DBS Thompson Coal & Const.	Ref. 77.87

A Hearing was conducted for Enlargement of the Powers of Taylor County Public Service District. H.W. Pitts, P.E. Vice President, Kelley, Gidley, Blair & Wolfe, presented a letter recommending that the City of Grafton be the applicant for Knottsville water system. George Pigott and Roy Williams also recommended the City of Grafton as the applicant Agency. Chuck Poe, Director, Economic Development Authority submitted a letter endorsing Taylor County PSD as the applicant agency primarily due to financing capability. Tony Veltri gave a brief history of how the Taylor County PSD was created due to lack of financial ability of the City of Grafton to develop this project. Jim Riggleman also presented information that Taylor County PSD became interested in this project because the Draft Plan from the PSC recommended that Taylor County PSD provide water service to Knottsville. This concluded the PSD Hearing.

✓ James A. Kinsey made a motion to approve the Resolution for Enlargement of the Powers of Taylor County Public Service District and submit Resolution to the Public Service Commission for final approval. Motion seconded by Thomas R. Spadafore. Motion Carried.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to approve consolidations of parcels owned by Walter A. Breedlove identified as 29-0031-000 and 29-0031.0001. Motion Carried Unanimously.

Jerry Gavitt, Parrish Agency, met with the Commission and requested to continue to be agent at 8% for the County Commission's State Board of Risk Insurance. The Commission will consider this request.

The Small Cities Block Grant Hearing was conducted. The following requests were made:

1. Clean up docks for scenic beauty on Knottsville Road to Tygart Lake.
2. Chuck Poe requested that whoever is selected as applicant agency for Knottsville water, that this project be given top priority.
3. Wall between Spruce Street and Walnut Street be repaired.
4. Plum Run Extension for Haymond PSD.
5. Clean up dilapidated and abandon housing in the County.
6. If Taylor County PSD is determined as applicant agency, they would like to request funding for Knottsville water.

No other requests were made.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to conclude the Small Cities Block Grant Hearing. Motion Carried Unanimously.

Chuck Poe requested \$64,573.00 for the Office Budget from Title IX EDA funds for 91 fiscal year. This was tabled until April 19, 1990.

Chuck Poe requested to be approved to collect and deposit EDA loan funds now in existence that are presently under the control of the Taylor County Commission. This will be considered on April 19, 1990.

James A. Kinsey made a motion seconded by Thomas R. Spadafore that Coal Severance Budget be amended as follows:

02-325	+13,991.00	02-404-1-10	-248.00
02-460-41-55	+7,000.00	02-405-1-10	-212.00
02-460-11-40	+1,200.00	02-406-1-10	-300.00
02-441-11-40	+1,500.00	02-407-1-10	-26.00
02-401-41-55	+1,000.00	02-441-1-10	-88.00
02-401-1-10	-38.00	02-456-1-10	-351.00
02-402-1-10	-222.00	02-460-1-10	-1,630.00
02-403-1-10	-176.00		

Motion Carried Unanimously.

James A. Kinsey made a motion seconded by Thomas R. Spadafore that the General County Budget be amended as follows:

01-310	+25,000.00	01-460-41-55	+12,000.00
01-401-56-65	+13,000.00	01-999	-324.00
01-404-41-55	+324.00		

Motion Carried Unanimously.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to approve Resolution for Continuing Economic Development Planning Grant for Region VI. Motion Carried Unanimously.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to recognize the Flemington Basketball Team for participation in State Tournaments in Charleston. Motion Carried Unanimously.

The Commission will meet on April 3, 1990 at 4:00 P.M. to approve Poll Workers.

The Commission will meet on April 17, 1990 at 4:00 P.M. to lay levy rates. Motion Carried Unanimously.

James A. Kinsey made a motion seconded by Thomas R. Spadafore to approve Wills for March and Bills as follows:

General County	24,156.58
Fed. Pris.	154.80
Coal Sev.	4,540.86
Escrow EDA	560.00
TOTAL	\$29,412.24

Motion Carried Unanimously.

No further business came before the Commission. Meeting adjourned at 9:30 P.M.

Nancy Virginia Fowler Clerk

The Clerk of the Commission

A Copy Teste

Nancy Virginia Fowler Clerk

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: March 28, 1991

CASE NO. 90-251-PWD-PC

TAYLOR COUNTY COMMISSION, a public corporation, Taylor County.

Petition for permission to enlarge powers of Taylor County Public Service District.

RECOMMENDED DECISION

On April 2, 1990, the Taylor County Commission, a public corporation, Grafton, Taylor County, adopted an Order to enlarge the powers of Taylor County Public Service District to allow the District to construct, maintain, and operate water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not presently served by a municipal corporation, public service district, or water association. The April 2, 1990 County Commission Order was forwarded for Commission review and approval, in accordance with the provisions of West Virginia Code §16-13A-2.

By Order entered on June 12, 1990, the matter was scheduled for hearing to be conducted on Thursday, June 21, 1990, in the Council Chambers, City Building, 1 West Main Street, Grafton, West Virginia, beginning at 1:00 P.M., EDST. The Taylor County Commission was required to provide notice of the scheduled hearing in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Taylor County.

The hearing commenced as scheduled. Charlotte R. Lane, Esq., appeared on behalf of the Taylor County Public Service District; Lou Ann Holland, Esq. and George R. Higinbotham, Esq., appeared on behalf of the City of Grafton; and David Glover, Esq. appeared on behalf of Commission Staff. Ms. Virginia Fowler, Clerk of the Taylor County Commission, was also present.

At the start of the June 21, 1990 hearing, it was represented that the Taylor County Commission had been unable to accomplish the required public notice of the scheduled hearing. Ms. Fowler represented that the County Commission did not receive a copy of the Commission's Order until June 19, 1990, and there was insufficient time to secure publication of the required notice. Therefore, the matter would need to be rescheduled, with sufficient public notice, before the Commission could properly affirm, modify or deny the County Commission Order.

Prior to rescheduling the matter for hearing, a question arose as to whether the Commission's approval of the County Commission's Order was required by the provisions of West Virginia Code §16-13A-2. A copy of the

in the Mountain Statesman, a newspaper published and of general circulation in Taylor County, on August 15, 1990. After reviewing that affidavit, the Administrative Law Judge has confirmed that the County Commission provided public notice of the hearing in accordance with the Commission's directives.

On March 22, 1991, Staff notified the ALJ that the City of Grafton and the Taylor County Public Service District had reached a tentative settlement of this case and a pending complaint case in Case No. 87-457-W-C. In part, the City of Grafton agreed to withdraw its opposition to Taylor County Commission's proposal to serve the Knottsville area of Taylor County. On March 25, 1991, the Taylor County Public Service District filed a copy of a newspaper account which confirmed this apparent agreement.

BACKGROUND AND EVIDENCE

Taylor County Public Service District owns and operates a water treatment plant and a 1.5 million gallon storage tank which are used to provide wholesale water supplies to five distinct water distribution systems which serve customers in various parts of Taylor County. Taylor County Public Service District introduces its water supplies directly into the City of Grafton's water system. At that point, the City of Grafton uses some of the water supplies to meet the needs of its own customers, while the remaining supplies go to various wholesale meters located at the outskirts of the City's system, which are used to measure the respective water consumption of Thornton Public Service District, Southwestern Public Service District, Haymond Public Service District and Mountain View Water Association. Even though the metering points of the other districts and the water association are located at the end of the City of Grafton's water distribution system, those districts and the water association are considered to be wholesale customers of Taylor County Public Service District. The District renders bills to Thornton Public Service District, Southwestern Public Service District, Haymond Public Service District and Mountain View Water Association based upon their metered water usage at the metering points located at the outskirts of the City of Grafton's distribution system. The City of Grafton's bills are then calculated based upon Taylor County Public Service District's metered water production, less the cumulative metered water usage of the other four resale customers. (Tr., pp. 19-23, 26; City Cross-Examination Exhibit No. 1).

Currently, the only facilities which are owned by Taylor County Public Service District are the water plant, the storage tank, and a limited amount of distribution facilities which are exclusively used to deliver water to the City of Grafton's distribution system. (Tr., pp. 19-20).

As proposed by the Taylor County Commissioner's April 2, 1990 order, the Taylor County Public Service District would be permitted to construct and operate water distribution systems in any part of Taylor County which not currently receiving water service from an existing Public Service District, municipality or water association. (Tr., p. 20; April 24, 1990 filing of the Taylor County Commission). The proposal was opposed by the

In September of 1989, the Taylor County Commission received a draft County Plan from the Public Service District Division of the Public Service Commission. (Tr., pp. 171-173). The Taylor County Commission submitted a response to the Public Service District Division of its draft plan in approximately December of 1989. (Tr., p. 171).

As a part of that draft plan, the Staff of the Public Service Commission's Public Service District Division had recommended that Taylor County Public Service District be expanded to include Thornton Public Service District, and to provide retail water service to the community of Knottsville and vicinity. (PSD Exhibit No. 1). There is nothing in the submitted recommendation which indicates that Commission Staff was familiar with or considered the City of Grafton's proposed extension of service to the Knottsville area. (Tr., pp. 171-172).

The Administrative Law Judge notes that the recommendations of Commission Staff were preliminary, at best, and no cost/benefit analysis had been conducted to evaluate the potential consolidation, merger or centralization of the existing districts throughout Taylor County. A later draft of the County Plan which included such a cost/benefit analysis would have to be prepared and submitted for review and comment by the affected districts and the Taylor County Commission for a period of six months. If the Taylor County Commission did endorse Staff's draft plan, it would then be filed for the Public Service Commission's review and consideration. As a part of the Public Service Commission's review obligation, public hearings will be conducted to receive and consider all relevant concerns, including those of the general public and those of the private and municipal utilities throughout Taylor County, such as the City of Grafton.

The Taylor County Public Service District proceeded to file a pre-application for FmHA funding of an alternate Knottsville project, even though its expanded authority had not been approved by either the Taylor County Commission or the Public Service Commission. (Tr., pp. 14-15, 40-41). The Taylor County Commission believed that the FmHA would be reluctant to process two competing funding applications for essentially the same Knottsville project. Therefore, on March 6, 1990, the Taylor County Commission had requested both the City of Grafton and the Taylor County Public Service District to withdraw their competing funding applications, and attempt to devise a single, consolidated project. (PSD Exhibit Nos. 2 and 3; Tr., pp. 164-165). The Taylor County Public Service District proceeded to withdraw its application, while the City of Grafton's application remained pending. (Tr., pp. 15, 40-41, 83).

Based upon the preliminary recommendation of Commission Staff's draft county plan, the Taylor County Commission proceeded to expand the authority of the Taylor County Public Service District, by its April 2, 1990 order. (Tr., pp. 8-9, 12-14, 30-31, 165-166, 170-171).

whether the public interest is in favor of or against the proposed expansion of powers. There is no question that the only reason in favor of expanding the District's powers at this time is to allow it to pursue a potential service expansion into the Knottsville area of Taylor County.

If another existing utility, such as the City of Grafton, stands ready, willing and able to serve all or part of the Knottsville territory, the creation of an additional competing entity to serve the same territory may frustrate efforts to provide a needed public service to the Knottsville territory, instead of promoting it. Some of the potential problems arising from competing applications have already been reflected in the FmHA's alleged reluctance to fund either competing project, until the primary water provider is designated by agreement or otherwise. Therefore, as proposed, the approval of the expanded District authority, in the face of opposition from another water provider which holds the power, authority and intent to pursue a similar expansion, would be contrary to the public interest.

The mere claim that certain members of Public Service Commission's Staff have recommended that the Taylor County Public Service District be authorized to serve the Knottsville area of Taylor County, as a part of a draft county plan, has no substantive impact and should carry no weight in this case. It is possible that Staff's proposals were based upon a myopic and limited view of utility service in Taylor County which failed to consider the possible expansion by the City of Grafton's water system as a viable service option. No clear judgment in favor of or against any Staff proposals can be properly made until the proposals are tested and scrutinized in a fair and impartial hearing. The reasons for Staff's prior Taylor County Plan recommendations and the scope of Staff's analysis were not submitted for review or consideration in this case. Until a County Plan is sanctioned by the Commission, after being subject to public hearing or scrutiny, the opinions and recommendations in a draft county plan carry no weight. Therefore, the need for the proposed expansion of the Taylor County Public Service District's powers and authority must be supported by the evidentiary record developed in this case, and not from the unsupported recommendations made by one or more members of Commission Staff within some other extra record context.

There is no credible evidence in the record of this case which would support a finding that the City of Grafton lacked the means, ability and desire to expand its water service to meet the needs of the Knottsville area. To the contrary, the City has pursued necessary project funding and conducted preliminary plans for performing such a project. While members of the Taylor County Public Service District attempted to cast certain aspersions on the City's ability to secure the necessary funding, there was no reliable independent evidence in the record from any funding agency which supported such claims. Further, while the City acknowledged that it had historically experienced substantial unaccounted-for water losses on its existing system, due to its age, the evidence was insufficient to allow the ALJ to conclude that the expansion of its system is infeasible or inadvisable, particularly when the expansion is to be performed in conjunction with a system upgrade.

since it is located approximately two miles from the City's corporate boundaries. (City Exhibit No. 1; Tr., pp. 60-61, 92-93; West Virginia Code §8-20-1).

3. Knottsville and the surrounding communities of Taylor County are not currently within the service territory and boundaries of any existing public service district. (ALJ Request Exhibit No. 1).

4. While the May 12, 1983 order of the Taylor County Commission would allow the Taylor County Public Service District to serve the Knottsville area as a wholesale water supplier, the Taylor County Public Service District is not authorized to provide retail water service to individual customers in any area of Taylor County unless the Taylor County Commission authorizes such operations by explicit order. (Taylor County Public Service District Exhibit No. 1, filed at June 21, 1990 hearing).

5. The April 2, 1990 order of the Taylor County Commission was intended to authorize the Taylor County Public Service District to provide retail water service to presently unserved areas of Taylor County, primarily so it could pursue a contemplated project to serve the Knottsville area. (Tr., pp. 8-9, 12-14, 30-31, 165-166, 170-171).

6. The City of Grafton has apparently withdrawn its objection to the proposed expansion of Taylor County Public Service District's powers, thereby withdrawing any opposition to its pursuit of a proposed District project to serve the Knottsville area of Taylor County. (March 22, 1991 Staff Memorandum; March 25, 1991 District filing).

CONCLUSIONS OF LAW

1. Since the April 2, 1990 County Commission order essentially creates a new provider of water distribution services to provide individual residents and businesses in Taylor County with public water service, this ALJ concludes that the proposed expansion of powers must be reviewed and approved by the Public Service Commission pursuant to Code §16-13A-2.

2. If another existing utility, such as the City of Grafton, stands ready, willing and able to serve all or part of the Knottsville territory, the creation of an additional competing entity to serve the same territory may frustrate efforts to provide a needed public service to the Knottsville territory, instead of promoting it. Therefore, as proposed, the approval of the expanded District authority, in the face of opposition from another water provider which holds the power, authority and intent to pursue a similar expansion, would be contrary to the public interest.

3. In view of the City of Grafton's apparent withdrawal of opposition, the ALJ now concludes that it is in the public interest to approve the proposed expansion of authority for the Taylor County Public Service District. Any conceived project must ultimately be reviewed and approved by the Public Service Commission in accordance with the provisions of West Virginia Code §16-13A-25 and §24-2-11. The Commission's approval of the present petition should in no manner be construed to constitute prior

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 22nd day of July, 1991.

CASE NO. 90-251-PWD-PC

TAYLOR COUNTY COMMISSION, a public corporation, Taylor County.

Petition for permission to enlarge powers of Taylor County Public Service District.

COMMISSION ORDER

On March 28, 1991, the Administrative Law Judge (ALJ) entered a recommended decision. In that Order the ALJ made the following Finding of Fact, among others,

"The City of Grafton has apparently withdrawn its objection to the proposed expansion of Taylor County Public Service District's powers, thereby withdrawing any opposition to its pursuit of a proposed District project to serve the Knottsville area of Taylor County.

In that decision, the ALJ concluded it was in the interest of the public to approve the proposed expansion of authority for the Taylor County Public Service District (PSD) to construct, maintain, and operate water distribution systems within its territory, and to provide and sell potable water on a retail basis to individual customers in any area of its territory not presently served by another water utility. By the March 28, 1991 recommended decision, the ALJ ordered the Taylor County Commission order of April 2, 1990, expanding the powers and authority of the District, be approved as filed.

Accordingly, the ALJ concluded it was in the interest of the public to approve the proposed expansion of authority for the Taylor County Public Service District. By the March 28, 1991 Recommended Decision, the ALJ ordered that the April 2, 1990 order of the Taylor County Commission, expanding the powers and authority of the Taylor County Public Service District, be approved as filed. The ALJ pointed out that such approval did not constitute prejudgement or tacit approval of any engineering agreement or certificate application for any related projects which must be filed by the District, in accordance with West Virginia Code §16-13A-25 and 24-2-1.

On April 12, 1991, Counsel for the City of Grafton (City) filed written exceptions to the March 28, 1991 recommended decision. The document stated that the City agreed with the

ORDER

IT IS, THEREFORE, ORDERED that the City of Grafton's exceptions to the Administrative Law Judge's recommended decision of March 28, 1991, are hereby dismissed.

IT IS FURTHER ORDERED that the Administrative Law Judge's recommended decision of March 28, 1991, to approve, as filed, the April 2, 1990 order of the Taylor County Commission, expanding the powers and authority of the Taylor County Public Service District is affirmed.

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

A True Copy, Teste:


Howard M. Cunningham
Executive Secretary

The Taylor County Commission held a Special Meeting on October 17, 2001 at 3:00 P.M. Those present were: Tony Veltri, James A. Kinsey & Robert Weaver.

An exit interview was held with Debbie Cocubs, State Auditor's Office. She reviewed some internal control items that will be included in the Audit Report for some over time issues or payments received prior to service. The Commission will take the appropriate action when the Audit is received. It is the Elected Officials responsibility to monitor their respective office.

Bob Gorey, Jr. completed his research on expanding the PSD Board to five members. He had contacted the general counsel of the PSC and stated that a public hearing was not required and the PSD could be expanded to five members due to the additional duties because of the merger of Thornton PSD and the Knottsville area.

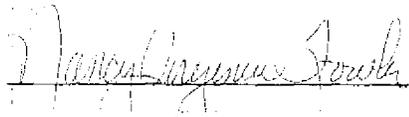
The Taylor County PSD Board advised the Commission that the City of Grafton had appointed Carole Klepfel on the Board and they were concerned about the status of Jim Riggleman.

Kevin Stead, Mayor Horacek and Larry Richman met with the Commission to discuss expansion of PSD Board. James A. Kinsey made a motion seconded by Robert Weaver to expand the Taylor County Public Service District Board to five (5) members due to the additional duties due to the merger of Thornton PSD and Knottsville. Motion Carried Unanimously.

James A. Kinsey made a motion seconded by Robert Weaver to appoint James Riggleman for the 2 year term (6-6-03) and the 5th member will be appointed by the Commission with both the City Council and County Commission giving consideration to the person to be appointed. Motion Carried Unanimously.

The Taylor County Commission signed a document for TREC to continue to promote improvements to Route 50.

No further business came before the Commission. Meeting adjourned at 8:30 P.M.

 Clerk

A Copy Taste

 Clerk

The Taylor County Commission met on June 17, 1999 at 9:00 A.M. Those present were: Robert Weaver, James A. Kinsey & Tony Veltri.

A Hearing was conducted to close road for Farrell Snyder. He requested that the north end of Virginia Ave. and Ninth Street be closed. This is an expansion of Order dated April 22, 1996. Proper notice was published in the newspaper and Charles Gillespie signed a statement that he had no objections to the road closing. Tony Veltri made a motion seconded by Robert Weaver to approve Road closing. Motion Carried Unanimously. Order is recorded at the end of these Minutes.

A motion was made by Tony Veltri seconded by Robert Weaver to approve Depository Bond submitted by First Community Bank. Motion Carried Unanimously. Bond is recorded at the end of these Minutes.

✓ Tony Veltri made a motion seconded by Robert Weaver to re-appoint Robert G. Knotts to Taylor County Public Service District retro-active to June 6, 1999 for a 6 year term. Motion Carried Unanimously.

Robert Weaver made a motion seconded by Tony Veltri to approve Exoneration as submitted by the Assessor.

Kirby, Joseph & Cynthia Exon. 170.20

Motion Carried Unanimously.

Robert Weaver made a motion seconded by Tony Veltri to approve the Delinquent List as submitted by the Sheriff. Motion Carried Unanimously.

A Hearing was conducted for the Small Cities Block Grant for sewer expansion to Parkview and Pruntytown. Jim Hall, Region 6 was present. No one appeared to object. A second Hearing was scheduled for July 6, 1999 at 10:00 A.M. The President adjourned this Hearing.

A motion was made by James A. Kinsey seconded by Tony Veltri to approve \$97,315.18 to pay off loan at One Valley Bank for Ground Floor Renovation. Motion Carried Unanimously.

The Insurance Coverage with St. Paul Insurance Co. was reviewed. James A. Kinsey made a motion seconded by Tony Veltri to approve proposal. Motion Carried Unanimously.

The Second Meeting in July will be on July 15, 1999 at 9:30 A.M.

Bills were approved as follows:

General County	27,974.79
Dog Tax	84.46
Worthless Check	24.91
Magistrate	11,501.48
Home Detention	409.70
	<u>\$39,995.34</u>

No further business came before the Commission. Meeting adjourned at

12:20 P.M.

A Copy Taste

Nancy Virginia Spaulding

Nancy Virginia Spaulding Clerk

The Taylor County Commission met on June 19, 2003 at 10:00 A.M. Those present were: Robert Weaver, Tony Veltri & Dave Gobel.

Tony Veltri made a motion seconded by Dave Gobel to award Courthouse Roof and Jail Roof to Tim Hogan's Roofing Co., Inc. in the amount of \$136,200.00. Motion Carried Unanimously. Engineering and Inspection is not included in the contract.

Gary Swisher had a concern over a right of way in Carmel Estates. A court action was started in 1979. Mr. Swisher was told to check on action in Circuit Court and check with Dept. of Highways. It may take a ruling by the Circuit Judge.

Gary Swisher requested a consolidation of real estate. A motion was made by Dave Gobel seconded by Tony Veltri to consolidate Carmel Estates Lot 25, 26, 27 & 34. Motion Carried Unanimously.

A motion was made by Tony Veltri seconded by Dave Gobel to approve Engineering Contract with Burgess & Niple Inc. for Parkview Small Cities Block Grant Sewage Project and authorize President to execute contract and authorize starting the Preliminary Engineering Report. Motion Carried Unanimously.

The Dog Warden expressed some concerns regarding fees for dogs in the City and also issuing of tickets.

A motion was made by Dave Gobel seconded by Tony Veltri to approve Delinquent List as submitted by the Sheriff. Motion Carried Unanimously.

A motion was made by Dave Gobel seconded by Tony Veltri to approve Exoneration Orders as submitted by the Assessor. Listed on Page 105. Motion Carried Unanimously.

✓ A motion was made by Dave Gobel seconded by Tony Veltri to re-appoint James Riggleman and Edward Beavers for six year terms on Taylor County PSD retroactive to June 6, 2003. Motion Carried Unanimously.

A motion was made by Dave Gobel seconded by Tony Veltri to approve the following Budget Revision in General County 401-458 -1,698.00 404-341 +1,698.00. Motion Carried Unanimously.

The Commission will meet on July 3, 2003 at 9:30 A.M.

A motion was made by Tony Veltri seconded by Dave Gobel to approve real estate consolidation requested by Mary E. Swisher of Map 11, Parcels 18, 19 and 20 subject to Assessor's review. Motion Carried Unanimously.

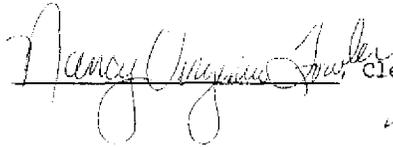
A motion was made by Dave Gobel seconded by Tony Veltri to authorize President to make decision and sign agreements to purchase or lease Indexing System for County Clerk's Office.

A motion was made by Dave Gobel seconded by Tony Veltri to approve upgrade on County Clerk's AS400 system next week and approve Maintenance contract.

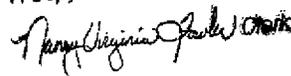
Bills were approved as follows:

General County	28,562.83
Dog Tax	184.64
Home Detention	734.70
Worthless Check	5,211.40
Magistrate	12,868.25
Deputy Sheriff Ret.	<u>348.00</u>
TOTAL	\$47,909.82

No further business came before the Commission. Meeting adjourned at 4:00 P.M.


Clerk

A Copy Taste



Over
Page

4 The Taylor County Commission met on July 6, 2004 at 9:30 A.M. Those present were:

Tony Veltri & Robert Weaver.

A motion was made by Robert Weaver seconded by Tony Veltri to change the scope of the grant for the Joliff Building to also include the M&M Building. The priority for the Joliff Building is for drainage and M&M Building is for weatherization. Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Tony Veltri to approve Exonerations as submitted by the Assessor.

Saltis, Steve & Twyla K.
Wyckoff, Thomas G. & Holly

Exon. 28.10
Exon. 20.52

Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Dave Gobel to appoint Rusty Efaw on the Taylor Co. Deputy Sheriff's Civil Service Commission to represent the Deputy Sheriff's Civil Service Commission for the unexpired term to Feb. 3, 2007. Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Dave Gobel to appoint Carole Klepfel on the Taylor County PSD as the City of Grafton appointment and term will expire on June 6, 2007. Motion Carried Unanimously.

Robert Weaver made a motion seconded by Dave Gobel to re-appoint Leonard Lucas to the Haymond PSD retro-active to February 6, 2004. Motion Carried Unanimously.

Robert Weaver made a motion seconded by Dave Gobel to re-appoint Donald Gull on Southwestern PSD retro-active to June 14, 2004. Motion Carried Unanimously.

The Commission will meet on July 22, 2004 at 9:30 A.M.

The Commission met with Michael Dougherty, Extension Specialist, and reviewed a draft of the Personnel Manual.

The Commission met with Tetrick & Bartlett regarding 2002 Audit. Eight items were reported as Compliance Findings: abandoned Property, General Receiver, Annual Reports of Guardians and Conservators, Payment by Sheriff to Entities by the 10th of month. Bond Depositories (Board of Health), Performance Bonds and Financial Statement Publication (due to dates of publication by newspaper). Compensated absences needs to be provided by each elected official as of June 30 each year. The audit was very good and Tetrick & Bartlett expressed the audit went well and County Offices cooperated with information requested.

Robert Weaver made a motion seconded by Dave Gobel to approve a loan to Taylor County Development Authority in the amount of \$25,000.00. It is understood that this money will be loaned to the Taylor County Fair Association and the 3.5% interest will be retained by the Development Authority and the principal paid to the County. Motion Carried Unanimously. (See Page 158)

A motion was made by Dave Gobel seconded by Robert Weaver to approve salary change for Rebecca Hussion subject to it being available in the Sheriff's Tax Office Budget. Motion Carried Unanimously.

A motion was made by Dave Gobel seconded by Robert Weaver to approve Dog Tax Commission for the Assessor in the amount of \$1,331.90. Motion Carried Unanimously.

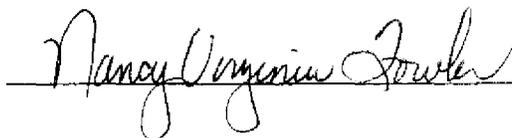
Robert Weaver made a motion seconded by Dave Gobel to approve Depository Bond as submitted by First Community Bank. Motion Carried Unanimously. Bond is recorded at the end of these Minutes.

Wills and Settlements were approved.

Bills were approved as follows:

General County	24,382.79
Dog Tax	62.29
911 Fund	122.05
Coal Severance	3,042.68
TOTAL	\$27,609.81

No further business came before the Commission. Meeting adjourned at 4:10 P.M.

 Clerk

RESOLUTION

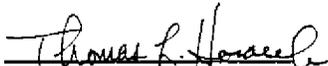
At the regular session of the Council of the City of Grafton, held on the 9th day of October, 2001, the following order was made and entered:

SUBJECT: The appointment of the City of Grafton's representative to the Taylor County Public Service District. The following resolution was offered:

RESOLVED: That the Council of the City of Grafton does hereby appoint Carole F. Klepfel to the Taylor County Public Service District for a period of six (6) years.

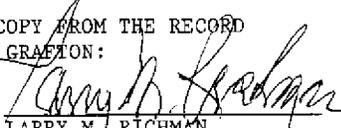
NOW, THEREFORE, BE IT RESOLVED, Mayor Thomas L. Horacek declared said resolution duly adopted, and it is therefore ADJUDGED and ORDERED that said resolution be, and the same is, hereby adopted as so stated above.

PASSED BY THE GRAFTON CITY COUNCIL ON THIS THE 9TH DAY OF OCTOBER, 2001.


Thomas L. Horacek, Mayor

Attest: 
Larry M. Richman, City Clerk

A TRUE COPY FROM THE RECORD
CITY OF GRAFTON:

ATTEST: 
LARRY M. RICHMAN
CITY CLERK

OATH OF OFFICE

STATE OF WEST VIRGINIA, COUNTY OF Taylor to-wit:

I do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

Taylor County Public Service District Board Member

TO the best of my skill and judgment, so help me God.

Signature of Affiant Robert L. Knott

Subscribed and sworn to before me in said County and State this 30th day of June, 19 99

Nancy Virginia Fowler
Clerk of Taylor County Court

STATE OF WEST VIRGINIA, County of Taylor, to-wit:

I, NANCY VIRGINIA FOWLER, Clerk of the County Commission of said county, do hereby certify that the foregoing writing, with certificate therein annexed, was this day produced to me in my office and was admitted to record herein.

Given under my hand this 30th day of June, 1999 1:37 PM

Nancy Virginia Fowler, Clerk

OATH OF OFFICE

STATE OF WEST VIRGINIA, COUNTY OF Taylor to-wit:

I do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

Taylor County PSD Board Member

TO the best of my skill and judgment, so help me God.

Signature of Affiant Carole K. Hays

Subscribed and sworn to before me in said County and State this 12th day of July, 2004

Nancy Virginia Fowler
Clerk of Taylor County Court

STATE OF WEST VIRGINIA, County of Taylor, to-wit:

I, NANCY VIRGINIA FOWLER, Clerk of the County Commission of said County, do hereby certify that the foregoing writing, with certificate therein annexed, was this day produced to me in my office and was admitted to record therein.

Given under my hand this 12th day of July, 2004-12:59PM

Nancy Virginia Fowler, Clerk

OATH OF OFFICE

STATE OF WEST VIRGINIA, COUNTY OF Taylor to-wit:

I do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

Taylor County PSD Board Member

TO the best of my skill and judgment, so help me God.

Signature of Affiant James R. [unclear]

Subscribed and sworn to before me in said County and State this 12th day of July, 2004

Nancy Virginia Fowler
Clerk of Taylor County Court

STATE OF WEST VIRGINIA, County of Taylor, to-wit:

I, NANCY VIRGINIA FOWLER, Clerk of the County Commission of said county, do hereby certify that the foregoing writing, with certificate therein annexed, was this day produced to me in my office and was admitted to record therein.

Given under my hand this 12th day of July, 2004. 12:59PM

Nancy Virginia Fowler Clerk

OATH OF OFFICE

STATE OF WEST VIRGINIA, COUNTY OF Taylor to-wit:

I do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

Taylor County Public Service District Board Member

TO the best of my skill and judgment, so help me God.

Signature of Affiant Edward Bennett

Subscribed and sworn to before me in said County and State this 28th day of June, 19 2004

Nancy Virginia Fowler
Clerk of Taylor County Court

STATE OF WEST VIRGINIA, County of Taylor, to-wit:

I, NANCY VIRGINIA FOWLER, Clerk of the County Commission of said County, do hereby certify that the foregoing writing, with certificate therein annexed, was this day produced to me in my office and was admitted to record hereon.

Given under my hand this 28th day of June, 2004 2:50PM

Nancy Virginia Fowler Clerk

RULES OF PROCEDURE

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: TAYLOR COUNTY PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Post Office Box 202, Grafton, Taylor County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Taylor County Public Service District, and in the center "seal" as follows:

*

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Taylor County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the first Tues. 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, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Harrison County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Harrison County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

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

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected 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. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

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

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

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

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

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

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

Adopted this 14th day of July, 2004.

07/01/04
888140.00001

THE MOUNTAIN STATESMAN
914 WEST MAIN STREET, GRAFTON, WV 26354
PHONE: (304) 265-3333

LEGAL ADVERTISING INVOICE

DATE: 6/30/2004

Account # 6871
STEPTOE & JOHNSON
ATTORNEYS AT LAW
BANK ONE CENTER
PO BOX 1588
CHARLESTON, WV 25326-1588

INVOICE # 9466 AMOUNT REMITTED \$

RE: NOTICE OF PUBLIC HEARING
TO ADOPT BOND RESOLUTION
INSERTION DATES: 07/02/04

AMOUNT DUE: \$50.50 Your affidavit fee of \$2.00 is
already included in amount due.

Legal Rate Information: 9.5 cents per word for first insertion and
75% per insertion thereafter. FEIN # 363672215

MAKE CHECKS PAYABLE TO
THE MOUNTAIN STATESMAN
914 WEST MAIN STREET, GRAFTON, WEST VIRGINIA 26354
PLEASE PUT INVOICE NUMBER ON CHECK
NOTICE: 1 1/2% SERVICE CHARGE IF NOT PAID IN 30 DAYS
MINIMUM \$ 1.00

STATE OF WEST VIRGINIA, COUNTY OF TAYLOR, SS:

Jean M. Ellerman, Publisher of the Mountain Statesman,
a newspaper published at Grafton in said county do
hereby certify that the annexed Legal # 9466
was published once a week for ONE
weeks in said Mountain Statesman newspaper as
aforesaid, commencing on the 2ND DAY OF JULY, 2004.

Given under my hand

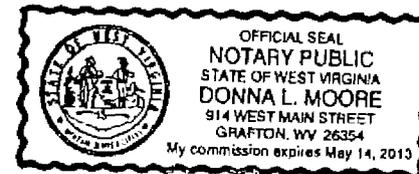
Jean M. Ellerman Publisher

Printers fee \$

West Virginia, Taylor County, To Wit:
Subscribed and sworn to before me this

July 9, 2004
Donna L. Moore Notary Public

My Commission Expires April 14, 2013



LEGAL

**NOTICE OF PUBLIC HEARING OF
THE PUBLIC SERVICE BOARD OF
TAYLOR COUNTY PUBLIC
SERVICE DISTRICT
TO ADOPT BOND RESOLUTION**

A special meeting of the Public Service Board of the Taylor County Public Service District (the "PSD") will be held to consider and adopt the following - entitled Resolution, and to take such other action as necessary in relation thereto, on Wednesday, July 14, 2004, at 9:00 a.m., prevailing time, at the District's offices in Grafton, West Virginia, and at such meeting the Board shall consider and adopt such Resolution entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS, SYSTEM OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$961,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2004 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

The above-quoted title of the Resolution describes generally the contents thereof and the purpose of the Bonds contemplated thereby. The proceeds of the bonds will be used to provide permanent financing of a portion of the costs of (i) acquisition and construction of certain additions, betterments, improvements and extensions to the existing public waterworks system of the District and (ii) paying costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the waterworks system of the District. At the meeting, the Board intends to adopt the Resolution and take such other actions as may be necessary in furtherance of the Project and the financing contemplated by the Resolution. Such meeting is open to the public.

Dated: July 2, 2004

Edward Beavers

Secretary

Legal 9466
7/2

**Taylor County PSD
Regular Meeting
January 6, 2004**

The Taylor County PSD held their regular meeting on January 6, 2004 at 3:30 P.M. The following board members were re-appointed as follows: Robert C. Knotts, Chairman, James W. Riggleman, Treasurer, Edward Beavers, Secretary, Carole Klepfel, City Representative. Those present were: Robert G. Knotts, James W. Riggleman, Edward Beavers & Carole Klepfel. Darle spent time discussing the problems with the filters. The Board gave Darle permission to get prices on the filter repair.

Total TCPSD Bills for Dec., 2003	51,883.23
Total Income from Water Sales 10/20 to 11/20	44,332.22
Income from Knottsville Payroll Taxes	299.58
Interest Earned on Account	
Total Income from All Sources for Dec., 2003	
Balance in TC PSD's Account for Dec., 2003	7,251.43
Pay City of Grafton Transportation Fee	5,994.52
Approved Bills for Dec., 2003	52,671.79

Jim Riggleman made a motion to pay all bills seconded by Carole Klepfel. Motion Carried.

The Wyckoff extension on Knottsville water line is complete.

Tom Newlon paycheck will be left here for painting he did on the plant.

Meeting adjourned at 6:00 P.M.




TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

EXCERPT OF MINUTES OF REGULAR MEETING
AND ADOPTION OF BOND RESOLUTION

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

The Public Service Board of Taylor County Public Service District met in regular session, pursuant to notice duly posted, on the 14th day of July, 2004, in Grafton, West Virginia, at the hour of 9:00 a.m.

PRESENT:	Robert G. Knotts	-	Chairman and Member
	James W. Riggleman	-	Treasurer
	Edward Beavers	-	Secretary
	Carol Klepfel	-	Member
	vacancy	-	Member

ABSENT: None

Robert G. Knotts, Chairman, presided, and Edward Beavers acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF

WATER REVENUE BONDS, SERIES 2004 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

and caused the same to be read and there was discussion. Thereupon, on motion duly made by James Riggleman and seconded by Carol Klepfel, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented a proposed resolution to approve a revised set of Rules of Procedure for the conduct of the affairs of the District. Thereupon, on motion duly made by Carol Klepfel and seconded by James Riggleman, it was unanimously ordered that said Rules of Procedure were approved.

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

CERTIFICATION

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

WITNESS my signature on this 16th day of July, 2004.


Secretary

07/01/04
888140.00001

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

NEW ISSUE REPORT FORM

Date of Report: July 16, 2004

ISSUE: Taylor County Public Service District Water Revenue Bonds, Series 2004 A (United States Department of Agriculture)

ADDRESS: Post Office Box 202, Grafton, West Virginia 26354 COUNTY: Taylor

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

ISSUE DATE: July 16, 2004 CLOSING DATE: July 16, 2004

ISSUE AMOUNT: \$ 961,000 RATE: 4.50 %

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

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

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

UNDERWRITERS COUNSEL: _____
Contact Person: _____
Phone: _____

CLOSING BANK: _____
Contact Person: _____
Phone: _____

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: James Riggleman
Position: Treasurer
Phone: (304) 265-5569

OTHER: United States Department of Agriculture
Contact Person: Joe Crickenberger
Function: Rural Development Specialist
Phone: (304) 636-2158

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

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

NOTES: Monthly debt service payments will be made by the District directly to the National Finance Office. The Municipal Bond Commission will hold the Series 2004 A Bonds Reserve Account. Payments to the Series 2004 A Bonds Reserve Account will commence within 24 months of July 16, 2004.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

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

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

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

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

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

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

USDA UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • fax 304.284.4893 • TTY/TDD 304.284.4836

June 17, 2004

Robert G. Knotts, Chairman
Taylor County Public Service District
P.O. Box 202
Grafton, WV 26354

Dear Mr. Knotts:

The pre-closing for the District's RUS loan and grants will be held on July 14, 2004 at 9:00 A.M. at the District's office in Grafton, West Virginia. The preconstruction conference will follow at 10:30 A.M. The official loan closing date for the District's Thornton/Eby Road Water Extension Project will be July 16, 2004.

Reference is made to our letter of conditions dated June 27, 2001, and amended April 15, 2002. All of the requirements of these letters must be met and in addition, the loan must be closed in accordance with RUS Instruction 1780 and "Closing Guidelines for Community Facilities Loans to Public Bodies."

The RUS loan of \$961,000 will be closed utilizing an interest rate of 4.50%. This results in a payment of \$4,411 per month. The District must establish and fund monthly a debt service reserve account and a depreciation reserve account. These reserve accounts together must equal 10% of the annual debt service each year for the life of the loan. Five percent (5%) will be deposited into each account until an annual debt payment has been accumulated. Thereafter, the entire ten percent (10%) will be deposited into the depreciation reserve account.

The following items should be submitted to our office as soon as possible but not later than July 2, 2004:

1. The District's engineer must provide a resume of the proposed inspector(s).
2. The District must provide a letter accepting the proposed inspector(s).
3. A certification from the District's accountant that the accounts and records as required by the bond resolution have been established and are operational.

[Http://www.rurdev.usda.gov/wv](http://www.rurdev.usda.gov/wv)



USDA Rural Development is an Equal Opportunity Lender, Provider and Employer
Complaints of discrimination should be sent to: USDA Director, Office of Civil Rights, Washington, D.C. 20250-9410

COMMITTED TO THE FUTURE OF RURAL COMMUNITIES

4. The District must provide evidence that it has acquired insurance and bond coverage in accordance with Item 11 of the letter of conditions.
5. The District must furnish evidence that it provides State Workers' Compensation Insurance. A certificate of good standing will be satisfactory.

On the day of the pre-closing, the following documents must be provided:

1. The District's attorney will need to provide Form RD 442-22, "Opinion of Counsel Relative to Rights of Way," showing no exceptions. This form should be dated July 16, 2004.
2. The District's attorney must furnish a Form RD 1927-10, "Final Title Opinion," on all land(s) being acquired. In addition, the attorney must provide a separate final title opinion(s) covering all existing property owned by the District. The opinion(s) should be dated July 16, 2004.
3. All applicable project permits should be available as of the day of the pre-closing. This may include but is not limited to West Virginia Department of Highways, Railroads, State Department of Health, and Public Land Corporation.
4. The District must furnish evidence that the West Virginia Public Service Commission has approved the project's proposed financing.
5. A copy of invoices to be paid on the day of closing along with any supporting documentation should be provided to this office no later than July 9, 2004.

If you have any questions regarding these or any other matters pertaining to your loan, please contact our office at your earliest convenience.

Sincerely,


JENNY N. PHILLIPS
State Director

cc: Morgan K. Coast, P.E.
Vaughn, Coast & Vaughn, Inc.
154 S. Marietta Street
St. Clairsville, OH 43950

Robert C. Gorey, Jr.
Clagett, Gorey, Casteel & Tipton, PLLC
P.O. Box 654
Grafton, WV 26354-0654

265-0404

265-0484

Vincent A. Collins
Stephoe & Johnson, PLLC
P.O. Box 2190
Clarksburg, WV 26302-2190

Gary K. Bennett, CPA
317 Cleveland Ave.
Fairmont, WV 26554



United States
Department of
Agriculture

Rural
Development

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

June 27, 2001

Robert G. Knotts, Chairman
Taylor County Public Service District
P.O. Box 202
Grafton, WV 26354

COPY

Dear Mr. Knotts:

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

The docket may be completed on the basis of an RUS loan in the amount of \$961,000, and an RUS grant in the amount of \$79,000, for a total project cost of \$1,040,000.

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

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

- Attachment No. 1 - Project Construction Budget (All Copies)
- Attachment No. 2 - Water and Waste Processing Checklist for Taylor County PSD (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)

- Attachment No. 6 - Agreement (RUS Bulletin 1780-13) (Engineer Copy)
- Attachment No. 7 - Supplemental General Conditions (RUS Bulletin 1780-14) (Engineer Copy)
- Attachment No. 8 - Government Auditing Standards (Revision 1994) (Accountant Copy)
- Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
- Attachment No. 10 - RUS Bulletin 1780-31, "Water Programs Compliance Supplement for OMB Circular A-133 Audits"
- Attachment No. 11 - Taylor County PSD Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 12 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 13 - Sample Credit Agreement (Applicant Copy)
- Attachment No. 14 - Various other RD Forms as identified on Attachment No. 2

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

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 12 months will consist of interest only. Payments for the remaining 468 months will be equal amortized monthly installments. For planning purposes use a 4.75% interest rate and a monthly amortization factor of 0.00470, which provides for a monthly payment of \$4,517.00. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account and a depreciation reserve account, which together equal 10% of the annual debt service each year for the life of the loan. Five percent (5%) will be deposited into both accounts until an annual debt payment has been accumulated. Thereafter, the entire 10% will be deposited into the depreciation reserve account.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a shared statutory lien of first priority, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.
3. Users - This conditional commitment is based upon you providing evidence that you will have at least 362 bona fide retail users and 5 wholesale (bulk) users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 33 signed user agreements and a certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Water Users Agreement will be used. Each user signing an agreement must make a user contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user agreement or a declination statement, the individual making the contact for the PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

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

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Subpart D of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

5. Engineering Services – The PSD has entered into an Agreement for Engineering Services, Form RD 1942-19. This Agreement has been reviewed and approved by previous correspondence.
6. Legal Services – It will be necessary for you to obtain the services of a local attorney. For your convenience RUS Bulletin 1780-7, “Legal Services Agreement” is enclosed for your use.
7. Accounting Services – It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
 - b. Prior to the advertisement of bids, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

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

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

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

8. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:

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

- b. Approval of user charges that are acceptable to you and the Rural Utilities Service.
- c. Approval of financing for the project's proposed financing arrangements.

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

11. Insurance and Bonding Requirements - Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:

- a. Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.
- b. Workers' Compensation - In accordance with appropriate State laws.
- c. Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).
- d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
 - (1) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (2) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.
- e. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and

equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

12. Contract Documents, Final Plans and Specifications -

- a. The contract documents should consist of the following:
 - (1) "Agreement" (RUS Bulletin 1780-13) and Attachments 1 through 9, or other agreement approved by RUS. One copy of this item is attached hereto (Attachment No. 6).
 - (2) "Supplemental General Conditions" (RUS Bulletin 1780-14). One copy of this item is attached hereto (Attachment No. 7). Additional copies must be reproduced by the engineer.
 - b. The contract documents must provide, as a minimum, the following insurance:
 - (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. This coverage must include indemnification of the PSD and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.
 - (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.
 - (3) Workers' Compensation - In accordance with applicable State laws.
 - c. The contract documents and final plans and specifications must be submitted to RUS for approval.
 - d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.
13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 13).

14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to the Rural Utilities Service. The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.

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

Form RD 442-7 - "Operating Budget"

Form RD 1940-1 - "Request for Obligation of Funds"

RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"

RUS Bulletin 1780-27 - "Loan Resolution (Public Bodies)"

Form RD 400-1 - "Equal Opportunity Agreement"

Form RD 400-4 - "Assurance Agreement"

Form AD 1047 - "Certification Regarding Debarment - Primary"

Form AD 1049 - "Certification Regarding Drug-Free Workplace"

Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"

FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"

Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)

Certification of Compliance

Form RD 1942-46, "Letter of Intent to Meet Conditions"

16. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.

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

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

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

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

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

Sincerely yours,



JENNY N. PHILLIPS
State Director

for

Attachments

cc: Rural Development Specialist
Elkins, WV

Gary Bennett, Certified Public Accountant
317 Cleveland Avenue
Fairmont, WV 26554

Robert C. Gorey, Jr.
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Grafton, WV 26354

Vaughn, Coast and Vaughn, Inc.
Consulting Engineers
154 South Marietta Street
St. Clairsville, OH 43960

Bond Counsel

Project Construction Budget

<u>Project Cost</u>	<u>RUS Grant</u>	<u>RUS Loan</u>	<u>Total</u>
Construction	59,145	685,300	744,445
Construction Contingency	5,900	68,100	74,000
Land and Rights	200	1,800	2,000
Legal Fees	900	10,100	11,000
Accounting	200	2,800	3,000
Bond Counsel	600	6,900	7,500
Engineering Fees	10,600	122,400	133,000
Basic - \$76,825			
Inspection - \$53,935			
Special - \$2,240			
Interest		46,000	46,000
Project Contingency	1,455	17,600	19,055
TOTALS	<u>79,000</u>	<u>961,000</u>	<u>1,040,000</u>

Rates - Available for general domestic, commercial and industrial service.

Schedule 1 --

First	3,000 gals. @	\$ 7.16 per M gals.
Next	3,000 gals. @	\$ 6.03 per M gals.
Next	4,000 gals. @	\$ 4.97 per M gals.
Over	10,000 gals. @	\$ 4.15 per M gals.

Schedule 2 --

Water sold for resale - \$0.76 per 1,000 gallons sold

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

5/8" x 3/4" meter -	\$ 21.48 per month
3/4" meter -	\$ 32.22 per month
1" meter -	\$ 53.70 per month
1 1/2" meter -	\$ 107.40 per month
2" meter -	\$ 171.04 per month
3" meter -	\$ 322.20 per month
4" meter -	\$ 537.00 per month
6" meter -	\$1,074.00 per month

Minimum Monthly Bill \$21.48 for 3,000 gallons

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis – See Page 3

TAYLOR COUNTY PUBLIC SERVICE DISTRICT
OPERATING BUDGET

OPERATING INCOME

Bulk Users	\$	527,665	
Knottsville/Thornton Users	\$	138,442	
OTHER INCOME			
TOTAL INCOME			<u>\$ 666,107</u>

EXPENSES

O & M	\$	380,345	
Taxes	\$	12,791	
TOTAL EXPENSES			<u>\$ 393,136</u>

INCOME AVAILABLE FOR D/S (A)

\$ 272,971

DEBT SERVICE

Existing Bond P & I (B)	\$	182,216	
Proposed Bond P & I (B)	\$	54,204	
TOTAL DEBT SERVICE			<u>\$ 236,420</u>

DEBT SERVICE RESERVE

Debt Service Reserve*	\$	2,710	
Depreciation Reserve	\$	2,710	
TOTAL DEBT SERVICE RESERVE			<u>\$ 5,420</u>

SURPLUS (DEFICIT)

\$ 31,131

DEBT COVERAGE (A/B)

\$ 1.15

*Prior Bond Reserves Fully Funded

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

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		Have	3
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant		Have	3
	Regional Planning & Development Council Review	2	1780.33(b)	Applicant		Have	3
	State Clearinghouse Review or IJDC Review	2	1780.33(b)	Applicant		Have	4
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		Have	3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		Have	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		Have	5
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant		Have	3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
RD 1942-19 or other approved	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		Have	6
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		Have	5
	Site Visit		S.I. 1780-2	RUS		Have	3
	Statement from Historical Preservation Office	2	1794	Applicant		Have	3
	Comments from Dept. of Commerce, Labor & Environ. Resources (DEP)	2	1794	Applicant		Have	3
	Comments from U.S. Fish and Wildlife Service (Endangered Species)	2	1794	Applicant		Have	3
	Comments from U.S. Forest Service (Wild & Scenic Rivers)	2	1794	Applicant		Have	3
AD-1006	Farmland Conversion Impact Rating	1	1794	RUS/NRCS		Have	3
	FEMA Stand- ard Flood Hazard Deter- mination	2	426.2	RUS		Have	3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Civil Rights Impact Analysis Certification	2	2006-P	RUS/ Engineer		Have	3
	Environmental Report	2	1794	Applicant		Have	3
	Environmental Assessment	2	1794	RUS/ Engineer		Have	3
	FONSI/ Evidence of Publication	1	Exhibit 1 RUS 1794 News Ad	RUS/ Applicant		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		Have	6
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	Applicant/ Engineer		Have	8
	Statement reporting the <u>total</u> number of <u>potential</u> users		1780.33(c)	Applicant/ Engineer		Have	8
	Copy of Existing Rate Tariff	2	1780.33	Applicant		Have	8
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		Have	3
	Agency Det- ermination on the Availability of "Other Credit" with Docu- mentation	1	1780.7(d)	RUS			3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Documentation on Service Area	1	1780.11	RUS			3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		Have	3
Automated Form	Grant Determination	3	1780.35(b)	RUS		Have	2
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant			5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant			2
RD 1942-45	Project Summary	3	1780.41(a)	RUS		Have	1
RD 442-7	Operating Budget	3	1780.33(h)	Applicant			3
RD 1942-14	Project Fund Analysis	3	1780.41(a)	RUS		Have	2
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/ Applicant			2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant			2

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant			3
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant			5
	Relationships/ Associations with Agency Employees	1	1780.1(f)	RUS			3
RD 1910-11	Applicant Certification, Federal Collection Policies	1	1780.33(h)	Applicant			3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant			5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant			6
RD 400-4	Assurance Agreement	1	1901-E	Applicant			3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant			5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	Applicant			Separate File
	2. List of Signed Users Numbered to Map	1	LOC	Applicant			5
	3. List of Declination Statements Numbered to Map	1	LOC	Applicant			5
	4. Evidence of Tap Fees Being Paid	1	LOC	Applicant			5
	5. Having Users Agreements and Declination Statements Available		LOC	Applicant			
	6. Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
	Accountant's Certification	1	LOC	Applicant/ Accountant			6
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	Applicant/ RUS			1
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Waiver of Title Defects Letter	1	1780.44(g)	RUS			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant			5
	Documentation Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			5
	Bid Tabulation	1	1780.61(b)	Engineer			6
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
	Flood Insurance Policy	1	1780.39(g)	Applicant			7
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5

1780.74 Contracts awarded prior to applications50

1780.75 Contract provisions..... 51

1780.76 Contract administration..... 52

1780.77 - 1780.79 [Reserved] 54

Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for
Public Body Applicants 55

1780.80 General 55

1780.81 Policies related to use of bond counsel 55

1780.82 [Reserved] 55

1780.83 Bond transcript documents 56

1780.84 and 1780.86 [Reserved] 57

1780.87 Permanent instruments for Agency loans. 57

1780.88 [Reserved] 58

1780.89 Multiple advances of Agency funds using permanent instruments..... 58

1780.90 Multiple advances of Agency funds using temporary debt instruments..... 59

1780.91 - 1780.93 [Reserved] 59

1780.94 Minimum bond specifications..... 59

1780.95 Public bidding on bonds..... 62

1780.96 - 1780.100 [Reserved] 62

Authority: 5 U.S.C. 301; 7 U.S.C. 1989; 16 U.S.C. 1005.

RUS Instruction 1780

Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants Subpart D - Information Pertaining to Preparation of Notes or Bonds and Bond Transcript Documents for Public Body Applicants"

§1780.80 General.

This subpart includes information for use by public body applicants in the preparation and issuance of evidence of debt (bonds, notes, or debt instruments, referred to as bonds in this subpart) and other necessary loan documents.

§1780.81 Policies related to use of bond counsel.

The applicant is responsible for preparation of bonds and bond transcript documents. The applicant will obtain the services and opinion of recognized bond counsel experienced in municipal financing with respect to the validity of a bond issue, except for issues of \$100,000 or less. With prior approval of the approval official, the applicant may elect not to use bond counsel. Such issues will be closed in accordance with the following:

- (a) The applicant must recognize and accept the fact that application processing may require additional legal and administrative time;
- (b) It must be established that not using bond counsel will produce significant savings in total legal costs;
- (c) The local attorney must be able and experienced in handling this type of legal work;
- (d) The applicant must understand that it will likely have to obtain an opinion from bond counsel at its expense should the Agency require refinancing of the debt;
- (e) Bonds will be prepared in accordance with this regulation and conform as closely as possible to the preferred methods of preparation stated in §1780.94; and
- (f) Closing instructions must be issued by OGC.

§1780.82 [Reserved]

§1780.83 Bond transcript documents

Any questions relating to Agency requirements should be discussed with Agency representatives. Bond counsel or local counsel, as appropriate, must furnish at least two complete sets of the following to the applicant, who will furnish one complete set to the Agency:

- (a) Copies of all organizational documents;
- (b) Copies of general incumbency certificate;
- (c) Certified copies of minutes or excerpts from all meetings of the governing body at which action was taken in connection with the authorizing and issuing of the bonds;
- (d) Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to calling and holding a favorable bond election, if one is necessary;
- (e) Certified copies of the resolutions, ordinances, or other documents such as the bond authorizing resolutions or ordinances and any resolution establishing rates and regulating use of facility, if such documents are not included in the minutes furnished;
- (f) Copies of the official Notice of Sale and the affidavit of publication of the Notice of Sale when State statute requires a public sale;
- (g) Specimen bond, with any attached coupons;
- (h) Attorney's no-litigation certificate;
- (i) Certified copies of resolutions or other documents pertaining to the bond award;
- (j) Any additional or supporting documents required by bond counsel;
- (k) For loans involving multiple advances of Agency loan funds, a preliminary approving opinion of bond counsel (or local counsel if no bond counsel is involved) if a final unqualified opinion cannot be obtained until all funds are advanced. The preliminary opinion for the entire issue shall be delivered at or before the time of the first advance of funds. It will state that the applicant has the legal authority to issue the bonds, construct, operate and maintain the facility, and repay the loan, subject only to changes occurring during the advance of funds, such as litigation resulting from the failure to advance loan funds, and receipt of closing certificates;
- (l) Final unqualified approving opinion of bond counsel, (and preliminary approving opinion, if required) or local counsel if no bond counsel is involved, including an opinion as to whether interest on bonds will be exempt from Federal and State income taxes. With approval of the State program official, a final opinion may be qualified to the extent that litigation is pending relating to Indian claims that may affect title to land or validity of the obligation. It is permissible for such opinion to contain language referring to the last sentence of Section 306 (a)(1) or to Section 309A (h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 (a)(1) or 1929a (h)).

RUS Instruction 1780

§§1780.84 and 1780.86 [Reserved]

§1780.87 Permanent instruments for Agency loans.

Agency loans will be evidenced by an instrument determined legally sufficient and in accordance with the following order of preference:

(a) First preference - Form RD 440-22, "Promissory Note". Refer to paragraph (b) of this section for methods of various frequency payment calculations.

(b) Second preference - single instruments with amortized installments. A single instrument providing for amortized installments which follows Form RD 440-22 as closely as possible. The full amount of the loan must show on the face of the instrument, and there must be provisions for entering the date and amount of each advance on the reverse or an attachment. When principal payments are deferred, the instrument will show that "interest only" is due on interest-only installment dates, rather than specific dollar amounts. The payment period including the "interest only" installment cannot exceed 40 years, the useful life of the facility, or State statute limitations, whichever occurs first. The amortized installment, computed as follows, will be shown as due on installment dates thereafter.

(1) Monthly payments. Multiply by twelve the number of years between the due date of the last interest-only installment and the final installment to determine the number of monthly payments. When there are no interest-only installments, multiply by twelve the number of years over which the loan is amortized. Then multiply the loan amount by the amortization factor and round to the next higher dollar.

(2) Semiannual payments. Multiply by two the number of years between the due date of the last interest-only installment and the due date of the final installment to determine the correct number of semiannual periods. When there are no interest-only installments, multiply by two the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor.

(3) Annual payments. Subtract the due date of the last interest-only installment from the due date of the final installment to determine the number of annual payments. When there are no interest-only installments, the number of annual payments will equal the number of years over which the loan is amortized. Then multiply the loan amount by the applicable amortization factor and round to the next higher dollar.

(c) Third preference - single instruments with installments of principal plus interest. If a single instrument with amortized installments is not legally permissible, use a single instrument providing for installments of principal plus interest accrued on the principal balance. For bonds with semiannual interest and annual principal, the interest is calculated by multiplying the principal balance times the interest rate and dividing this figure by two. Principal installments are to be scheduled so that total combined interest and principal payments closely approximate amortized payments.

(1) The repayment terms concerning interest only installments described in paragraph (b) of this section apply.

(2) The instrument shall contain in substance provisions indicating:

(i) Principal maturities and due dates;

(ii) Regular payments shall be applied first to interest due through the next principal and interest installment due date and then to principal due in chronological order stipulated in the bond; and

(iii) Payments on delinquent accounts will be applied in the following sequence:

(A) billed delinquent interest;

(B) past due interest installments;

(C) past due principal installments;

(D) interest installment due; and

(E) principal installment due.

(d) Fourth preference - serial bonds with installments of principal plus interest. If instruments described under the first, second, and third preferences are not legally permissible, use serial bonds with a bond or bonds delivered in the amount of each advance. Bonds will be numbered consecutively and delivered in chronological order. Such bonds will conform to the minimum requirements of §1780.94. Provisions for application of payments will be the same as those set forth in paragraph (c)(2)(ii) of this section.

(e) Coupon bonds. Coupon bonds will not be used unless required by State statute. Such bonds will conform to the minimum requirements of §1780.94.

§1780.88 [Reserved]

§1780.89 Multiple advances of Agency funds using permanent instruments.

Where interim financing from commercial sources is not used, Agency loan proceeds will be disbursed on an "as needed by borrower" basis in amounts not to exceed the amount needed during 30-day periods.

RUS Instruction 1780

§1780.90 Multiple advances of Agency funds using temporary debt instruments.

When none of the instruments described in §1780.87 are legally permissible or practical, a bond anticipation note or similar temporary debt instrument may be used. The debt instrument will provide for multiple advances of Agency funds and will be for the full amount of the Agency loan. The instrument will be prepared by bond counsel, or local counsel if bond counsel is not involved, and approved by the State program official and OGC. At the same time the Agency delivers the last advance, the borrower will deliver the permanent bond instrument and the canceled temporary instrument will be returned to the borrower. The approved debt instrument will show at least the following:

- (a) The date from which each advance will bear interest;
- (b) The interest rate as determined by §1780.13;
- (c) A payment schedule providing for interest on outstanding principal at least annually; and
- (d) A maturity date which shall be no earlier than the anticipated issuance date of the permanent instruments and no longer than the 40-year statutory limit.

§§1780.91 - 1780.93 [Reserved]

§1780.94 Minimum bond specifications.

The provisions of this section are minimum specifications only and must be followed to the extent legally permissible.

- (a) Type and denominations. Bond resolutions or ordinances will provide that the instruments be either a bond representing the total amount of the indebtedness or serial bonds in denominations customarily accepted in municipal financing (ordinarily in multiples of not less than \$1,000). Single bonds may provide for repayment of principal plus interest or amortized installments. Amortized installments are preferred by the Agency.
- (b) Bond registration. Bonds will contain provisions permitting registration for both principal and interest. Bonds purchased by the Agency will be registered in the name of "United States of America" and will remain so registered at all times while the bonds are held or insured by the Government. The Agency address for registration purposes will be that of the Finance Office.

(c) Size and quality. Size of bonds and coupons should conform to standard practice. Paper must be of sufficient quality to prevent deterioration through ordinary handling over the life of the loan.

(d) Date of bond. Bonds will normally be dated as of the day of delivery. However, the borrower may use another date if approved by the Agency. Loan closing is the date of delivery of the bonds or the date of delivery of the first bond when utilizing serial bonds, regardless of the date of delivery of the funds. The date of delivery will be stated in the bond if different from the date of the bond. In all cases, interest will accrue from the date of delivery of the funds.

(e) Payment date. Loan payments will be scheduled to coincide with income availability and be in accordance with State law.

(1) If income is available monthly, monthly payments are recommended unless precluded by State law. If income is available quarterly or otherwise more frequently than annually, payments must be scheduled on such basis. However, if State law only permits principal plus interest (P&I) type bonds, annual or semiannual payments will be used.

(2) The payment schedule will be enumerated in the evidence of debt, or if that is not feasible, in a supplemental agreement.

(3) If feasible, the first payment will be scheduled one full month, or other period, as appropriate, from the date of loan closing or any deferment period. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided. When principal payments are deferred, interest-only payments will be scheduled at least annually.

(f) Extra payments. Extra payments are derived from the sale of basic chattel or real estate security, refund of unused loan funds, cash proceeds of property insurance and similar actions which reduce the value of basic security. At the option of the borrower, regular facility revenue may also be used as extra payments when regular payments are current. Unless otherwise established in the note or bond, extra payments will be applied as follows:

(1) For loans with amortized debt instruments, extra payments will be applied first to interest accrued to the date of receipt of the payment and second to principal.

(2) For loans with debt instruments with P&I installments, the extra payment will be applied to the final unpaid principal installment.

(3) For borrowers with more than one loan, the extra payment will be applied to the account secured by the lowest priority of lien on the property from which the extra payments was obtained. Any balance will be applied to other Agency loans secured by the property from which the extra payment was obtained.

(4) For assessment bonds, see paragraph (k) of this section.

(g) The place of payments on bonds purchased by the Agency will be determined by the Agency.

(h) Redemptions. Bonds will normally contain customary redemption provisions. However, no premium will be charged for early redemption on any bonds held by the Government.

(i) Additional revenue bonds. Parity bonds may be issued to complete the project. Otherwise, parity bonds may not be issued unless acceptable documentation is provided establishing that net revenues for the fiscal year following the year in which such bonds are to be issued will be at least 120 percent of the average annual debt serviced requirements on all bonds outstanding, including the newly-issued bonds. For purposes of this section, net revenues are, unless otherwise defined by State statute, gross revenues less essential operation and maintenance expenses. This limitation may be waived or modified by the written consent of bondholders representing 75 percent of the then-outstanding principal indebtedness. Junior and subordinate bonds may be issued in accordance with the loan resolution.

(j) Precautions. The following types of provisions in debt instruments should be avoided:

- (1) Provisions for the holder to manually post each payment to the instrument.
- (2) Provisions for returning the permanent or temporary debt instrument to the borrower in order that it, rather than the Agency, may post the date and amount of each advance or repayment on the instrument.
- (3) Provisions that amend covenants contained in Forms RD 1942-47 or RD 1942-9.
- (4) Defeasance provisions in loan or bond resolutions. When a bond issue is defeased, a new issue is sold which supersedes the contractual provisions of the prior issue, including the refinancing requirement and any lien on revenues. Since defeasance in effect precludes the Agency from requiring refinancing before the final maturity date, it represents a violation of the statutory refinancing requirement; therefore, it is disallowed. No loan documents shall include a provision of defeasance.

(k) Assessment bonds. When security includes special assessment to be collected over the life of the loan, the instrument should address the method of applying any payments made before they are due. It may be desirable for such payments to be distributed over remaining payments due, rather than to be applied in accordance with normal procedures governing extra payments, so that the account does not become delinquent.

(l) Multiple debt instruments. The following will be adhered to when preparing debt instruments:

- (1) When more than one loan type is used in financing a project, each type of loan will be evidenced by a separate debt instrument or series of debt instruments;
- (2) Loans obligated in different fiscal years and those obligated with different terms in the same fiscal year will be evidenced by separate debt instruments;
- (3) Loans obligated for the same loan type in the same fiscal year with the same term may be combined in the same debt instrument;
- (4) Loans obligated in the same fiscal year with different interest rates that will be closed at the same interest rate may be combined in the same debt instrument.

§1780.95 Public bidding on bonds.

Bonds offered for public sale shall be offered in accordance with State law and in such a manner to encourage public bidding. The Agency will not submit a bid at the advertised sale unless required by State law, nor will reference to Agency's rates and terms be included. If no acceptable bid is received, the Agency will negotiate the purchase of the bonds.

§§1780.96 - 1780.100 [Reserved]

Water and Waste System Grant Agreement
United States Department of Agriculture
Rural Utilities Service

THIS AGREEMENT dated July 16, 2004, between

Taylor County Public Service District
a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ 1,704,600 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 1,041,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 1,041,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 663,600 or 75 percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 38.9 percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated _____, _____, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

All real property owned by the Taylor County Public Service District, including water treatment facilities, office facilities, maintenance buildings, pump stations, water storage tanks and water lines and appurtenances.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

- (a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.
- (b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

- (1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.
- (2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.
- (3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

- (a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.
- (b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

N/A

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 663,600 which it will advance to Grantee to meet not to exceed 38.9 percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

attested and its corporate seal affixed by its duly authorized

Attest:

By Edward Beavers

(Title) Secretary

By Robert B. Knotts

(Title) Chairman

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Steven H. Lilli - Rural Utilities Specialist

(Title)

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

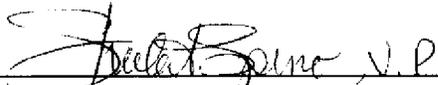
Water Revenue Bonds, Series 2004 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of Branch Banking and Trust Company, Graton, West Virginia (the "Bank"), hereby certify that on July 16, 2004, the Bank received an automated transfer in the amount of \$ 114,600.00 to the credit of the Project Construction Account, Account Number 5271810263 for the Series 2004 A Bonds.

WITNESS my signature on this 16th day of July, 2004.

BRANCH BANKING AND TRUST COMPANY

By: 
Its: Authorized Officer