

**TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS, SERIES 2007 A  
(United States Department of Agriculture)**

**DATE OF CLOSING: MAY 24, 2007**

**BONDS TRANSCRIPT**

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**TAYLOR COUNTY PUBLIC SERVICE DISTRICT**

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

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**TAYLOR COUNTY PUBLIC SERVICE DISTRICT**

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

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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 \$1,061,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 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 water plant upgrade including rebuilding of existing filters, replacing in-plant water main, installation of various sizes and types of plant process and yard piping, installing a new 400,000 gallon clear well (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 \$1,960,600, of which not more than \$1,061,000 will be obtained from the proceeds of sale of the Series 2007 A Bonds herein authorized, and \$899,600 will be obtained from a grant from the United States Environmental Protection Agency.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), in the aggregate principal amount of not more than \$1,061,000 (the "Series 2007 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 2007 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 2007 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"), Water Revenue Bonds, Series 2004 A, dated July 16, 2004 issued in the original aggregate principal amount of \$961,000 (the "Series 2004 A Bonds") all held by United States Department of Agriculture, Rural Utilities Service, and Water Refunding Revenue Bond, Series 2005 A, dated May 16, 2005, issued in the original aggregate principal amount of \$870,000 (the "Series 2005 A 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 2007 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 2007 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated December 6, 2005, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2007 A Bonds, or will have so complied prior to issuance of the Series 2007 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.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall be the Registered Owner of

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

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

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

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

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

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

"Chairman" means the Chairman of the Governing Body.

"Commission" means the West Virginia Municipal Bond Commission, formerly known as the State Sinking Fund Commission, or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"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 Branch Banking and Trust Company, 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, 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 December 6, 2005, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2007 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 2005 A of the Issuer described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, respectively adopted February 1, 1996, July 14, 2004 and May 12, 2005, 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 6C of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service 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 1996 A Bonds” means the Issuer’s Water Revenue Bond, Series 1996 A (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$350,000

“Series 1996 B Bonds” means the Issuer’s Water Revenue Bond, Series 1996 B (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$129,000

“Series 2004 A Bonds” means the Issuer’s Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), dated July 16, 2004 issued in the original aggregate principal amount of \$961,000

“Series 2005 A Bonds” means the Issuer’s Water Refunding Revenue Bond, Series 2005 A, dated May 16, 2005, issued in the original aggregate principal amount of \$870,000 held by Branch Banking and Trust Company

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

"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 \$1,960,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2007 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 2007 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2007 A (United States Department of Agriculture)", are hereby authorized to be issued in a principal amount not to exceed \$1,061,000, 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 2007 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2007 A Bonds shall bear interest from the date of delivery, payable monthly at a rate not to exceed 4.125% per annum, and shall be sold for the par value thereof.

The Series 2007 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 2007 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 2007 A Bonds, and the right to principal of and stated interest on the Series 2007 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 2007 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 2007 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 2007 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2007 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 2007 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2007 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 2007 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2007 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 2007 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 2007 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 2007 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 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2007 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06.        Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2007 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 2007 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2007 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 2007 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 2007 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 2007 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 2007 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 2007 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$1,061,000

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 ONE MILLION SIXTY ONE THOUSAND DOLLARS (\$1,061,000), 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 \_\_\_\_\_, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

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

(i) WATER REVENUE BONDS, SERIES 1996 A (UNITED STATES DEPARTMENT OF AGRICULTURE), 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 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 1, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$129,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS; AND

(iii) WATER REVENUE BONDS, SERIES 2004 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 16, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$961,000 AND DESCRIBED IN THE PRIOR RESOLUTIONS; AND

(iv) WATER REFUNDING REVENUE BONDS, SERIES 2005 A (BRANCH BANKING AND TRUST COMPANY), DATED MAY 16, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$870,000, 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 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) Reserve Fund (established by Prior Resolutions and herein called the "Prior Bonds Reserve Fund");
- (3) Depreciation Reserve (established by Prior Resolutions); and
- (4) Series 2007 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 (established by Prior Resolutions);
- (2) Series 2005 A Bonds Reserve Account (established by Prior Resolutions); and
- (3) Series 2007 A Bonds Reserve Account.

Section 4.02.      Bond Proceeds; Series 2007 A Project Construction Account. The proceeds of the sale of the Series 2007 A Bonds shall be deposited upon receipt by the Issuer in the Series 2007 A Project Construction Account. The monies in the Series 2007 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 2007 A Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2007 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 2007 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 2007 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 2007 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 2007 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 2007 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2007 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2007 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2007 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 2007 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 2007 A Bonds and to amortize the principal of the Series 2007 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 2007 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 2005 A 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 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2007 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2007 A Bonds reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2007 A Bonds reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein an amount equal to the Minimum Reserve, Monies in the Series 2007 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 2007 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2007 A Bonds, or for mandatory prepayment of the Series 2007 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2007 A Bond Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(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 the amounts required by the Prior Resolutions.

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

The Commission and the Depository Bank, as applicable, are hereby designated as the Fiscal Agents for the administration of the Series 2007 A Bonds Reserve Account and the Depreciation Reserve, and all amounts required for the Series 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 A Bonds, provide evidence that there will be at least 485 bona fide users upon the completion of the Project, 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 2007 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2007 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 September 15, 2007, Case 06-0271-PWD-CD.

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

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

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

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

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

## ARTICLE VII

### MISCELLANEOUS

Section 7.01.        Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2007 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 2007 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 2007 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 2007 A Bonds, the Issuer may not defease the Series 2007 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 2007 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 2007 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 22nd day of May, 2007.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

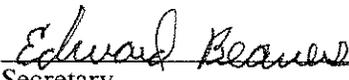
  
Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of TAYLOR COUNTY PUBLIC SERVICE DISTRICT on the 22nd day of May, 2007.

Dated: May 24, 2007.

[SEAL]

  
Secretary

888140.00003



**TAYLOR COUNTY PUBLIC SERVICE DISTRICT**

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

**BOND RESOLUTION**

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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.

### 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 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).

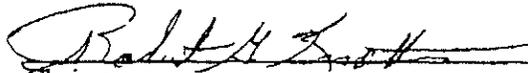
Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

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.

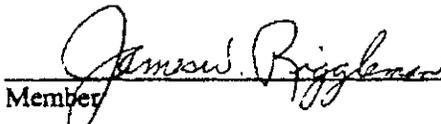
Section 7.08.      Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted: February 1, 1996.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

  
Chairman

  
Member

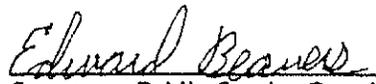
  
Member

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]

  
Secretary, Public Service Board

01/29/96  
TCBJM.A5  
888140/92001



**TAYLOR COUNTY PUBLIC SERVICE DISTRICT**

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

**BOND RESOLUTION**

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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.

Section 1.03.      Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2004 A Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2004 A Bonds.

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

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

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

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

"Bonds" means, collectively, the Series 2004 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

"Commission" means the West Virginia Municipal Bond Commission, formerly known as the State Sinking Fund Commission, or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"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 Branch Banking and Trust Company, 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, 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		\$	<u>                    </u>

(Form of Assignment)

ASSIGNMENT

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

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

▪

\_\_\_\_\_

In the presence of:

\_\_\_\_\_

## ARTICLE IV

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

Section 4.01.      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

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 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).

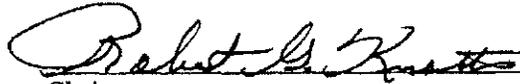
Section 7.06.      Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

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

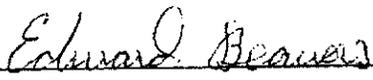
  
Chairman

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



**TAYLOR COUNTY PUBLIC SERVICE DISTRICT**  
**WATER REFUNDING REVENUE BONDS, SERIES 2005 A**

**BOND RESOLUTION**

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TAYLOR COUNTY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REFUNDING REVENUE BOND, SERIES 1996 C, OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT AND THE ACQUISITION OF CERTAIN EQUIPMENT TO BE USED IN CONNECTION WITH THE OPERATION OF THE EXISTING PUBLIC WATERWORKS FACILITIES OF THE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2005 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF 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 and public corporation of the State of West Virginia in Taylor County of said State.

B. The Issuer now owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired certain equipment to be used in connection with the operation of the existing waterworks system (the "Project") (the existing public waterworks facilities of the Issuer, the Project and any further additions, improvements or extensions thereto are herein called the "System"). The acquisition of the Project and the financing

hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The Issuer has heretofore issued its 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") and held by Branch Banking and Trust Company, as successor to One Valley Bank of Clarksburg, National Association.

D. It is in the best interest of the Issuer that the Series 1996 C Bonds 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 Bonds, Series 2005 A (the "Series 2005 A Bonds") in the total aggregate principal amount of not more than \$1,000,000 to pay in full the principal of and interest accrued on the Series 1996 C Bonds, to finance the costs of acquisition of the Project, to fund a portion of the reserve account for the Series 2005 A Bonds, and to pay costs of issuance thereof and related costs.

F. It is in the best interest of the Issuer that the Series 2005 A Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the commitment letter of the Purchaser dated January 20, 2005.

G. The Issuer has complied with all requirements of West Virginia law relating to authorization of the refunding of the Series 1996 C Bonds, the acquisition of the Project, and the issuance of the Series 2005 A Bonds, or will have so complied prior to issuance of the Series 2005 A Bonds, including, among other things, the obtaining of the approval of this financing and the refunding of the Series 1996 C Bonds 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 Series 2005 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), dated July 16, 2004, issued in the original aggregate principal amount of \$961,000 (the "Series 2004 A Bonds"), the Water Revenue Bond, Series 1996 A (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$350,000 (the "Series 1996 A Bonds"), and the Water Revenue Bond, Series 1996 B (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$129,000 (the "Series 1996 B Bonds" and together with the Series 1996 A Bonds and the Series 2004 A Bonds, collectively referred to herein as the "Prior Bonds").

Prior to the issuance of the Series 2005 A Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity

tests of the Prior Bonds are met and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2005 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no Outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all covenants of the Prior Bonds and the Prior Resolutions.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2005 A Bonds 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 Series 2005 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

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

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

"Bonds" means, collectively, the Series 2005 A Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder of by another resolution of the Issuer.

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

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

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

"Depository Bank" means the bank designated as such in the Supplemental Resolution, 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 timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets or any Tap Fees, as hereinafter defined.

"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,

and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Net Proceeds" means the face amount of the Series 2005 A Bonds, plus accrued interest and premium, if any, and less original issue discount, if any. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2005 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs of the Project, fees and expenses of fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as hereinafter defined), other than those capitalized as part of the costs of the Project, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Series 2005 A Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding" when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered, except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, and Bonds registered to the Issuer.

"Parity Bonds" means additional Parity Bonds issued under the provisions and within the limitations prescribed by Section 5.04 hereof.

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

"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.

"Project Fund Agreement" means that certain agreement dated as of May 16, 2005, by and between the Issuer and the Purchaser.

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

"Prior Bonds" means, collectively, the Series 1996 A Bonds, the Series 1996 B Bonds and the Series 2004 A Bonds.

"Prior Resolutions" means, collectively, the Series 1996 A and 1996 B Resolution and the Series 2004 A Resolution.

"Project" means the Project as described in Section 1.02B hereof.

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

"Qualified Investments" means and includes any of the following:

(a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 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.

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

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

"Series 1996 Resolutions" means, collectively, the Series 1996 A and 1996 B Resolution and the Series 1996 C Resolution.

"Series 1996 A and 1996 B Resolution" means the resolution of the Issuer adopted February 1, 1996, authorizing the Series 1996 Bonds.

"Series 1996 A Bonds" means the Issuer's Water Revenue Bond, Series 1996 A (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$350,000.

"Series 1996 B Bonds" means the Issuer's Water Revenue Bond, Series 1996 B (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$129,000.

"Series 1996 C Bonds" means the Issuer's Water Revenue Bond, Series 1996 C, dated September 29, 1996, issued in the original aggregate principal amount of \$1,454,000.

"Series 1996 C Resolution" means the resolution of the Issuer adopted September 26, 1996, authorizing the Series 1996 C Bonds.

"Series 2004 A Bonds" means the Issuer's Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), dated July 16, 2004, issued in the original aggregate principal amount of \$961,000.

"Series 2004 A Bonds Reserve Account" means the reserve account for the Series 2004 A Bonds continued by Section 4.02 hereof.

"Series 2004 A Resolution" means the resolution of the Issuer adopted July 14, 2004, authorizing the Series 2004 A Bonds.

"Series 2005 A Bonds" means the Water Revenue Bonds, Series 2005 A, authorized hereby to be issued pursuant to this Resolution.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 2005 A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 2005 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2005 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2005 A Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 2005 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2005 A Bonds and not so included may be included in another Supplemental Resolution.

"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 further additions, extensions and improvements thereto hereafter constructed or acquired for the System from any sources whatsoever.

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

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

## ARTICLE II

### AUTHORIZATION OF REFUNDING; AUTHORIZATION OF ACQUISITION OF THE PROJECT

Section 2.01.      Authorization of Refunding.    All Series 1996 C Bonds Outstanding as of the date of issuance of the Series 2005 A Bonds and all unpaid interest accrued thereon, if any, in an aggregate amount equal to \$694,631.57, are hereby ordered to be refunded and paid in full and the pledge of Net Revenues in favor of the Holders of the Series 1996 C Bonds imposed by the Series 1996 C Resolution, the monies in the funds and accounts created by the Series 1996 C Resolution pledged to payment of the Series 1996 C Bonds, and any other funds pledged by the Series 1996 C Resolution to payment of the Series 1996 C Bonds are hereby ordered terminated, discharged and released upon such payment to the Holders of the Series 1996 C Bonds. Contemporaneously with the payment in full of the Series 1996 C Bonds, the amounts on deposit in the sinking fund, and all other funds and accounts created and maintained on behalf of the Series 1996 C Bonds, shall be released from the lien created by the Series 1996 C Resolution. The portion of the proceeds of the Series 2005 A Bonds hereby authorized to be applied towards the refunding of the Series 1996 C Bonds shall be applied as provided in Article III hereof.

Section 2.02.      Authorization of Acquisition of the Project There is hereby authorized and ordered the acquisition of the Project, at an estimated cost of not to exceed \$156,571.01, in accordance with the invoices heretofore filed in the office of the Governing Body. The portion of the proceeds of the Series 2005 A Bonds hereby authorized to be applied towards the Project shall be applied as provided in Article III hereof.

### ARTICLE III

#### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01.      Authorization of Bonds. For the purpose of refunding the Series 1996 C Bonds, financing the costs of acquisition of the Project and paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes, there is hereby authorized to be issued the Water Refunding Revenue Bonds, Series 2005 A, of the Issuer, in the aggregate principal amount of not more than \$1,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2005 A Bonds remaining after refunding the Series 1996 C Bonds shall be deposited in or credited to the Project Fund established by Section 4.01 hereof and applied as set forth in this Article III.

Section 3.02.      Terms of Bonds. The Series 2005 A Bonds shall be issued in single form, numbered R-1, and only as a fully registered Bond. The Series 2005 A Bonds shall be dated such date; shall be in such principal amount, not to exceed \$1,000,000; shall bear interest at such rate or rates, not exceeding the then legally permissible limit on such dates; shall mature on such dates and in such amounts; and shall be subject to such repayment or redemption, all as the Issuer shall prescribe in a Supplemental Resolution. The Series 2005 A Bonds shall be payable as to principal and interest at the office of the Paying Agent in any coin or currency which, on the dates of payment is legal tender for the payment of public or private debts under the laws of the United States of America. The Series 2005 A Bonds shall be subject to prepayment of the principal balance in whole on a scheduled payment date with a 1% prepayment premium.

Section 3.03.      Execution of Bonds. The Series 2005 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2005 A Bonds shall cease to be such officer of the Issuer before the Series 2005 A Bonds so signed and sealed have been actually sold and delivered, the Series 2005 A 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 2005 A Bonds may be signed or sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04.      Authentication and Registration. No Series 2005 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.09 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 Series 2005 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2005 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of the Series 2005 A Bonds, shall be conclusively deemed to have agreed that such Bond shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2005 A Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Series 2005 A Bonds.

The registered Series 2005 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging the Series 2005 A Bonds or transferring the registered Bonds are exercised, the Bonds shall be delivered in accordance with the provisions of this Bond Legislation. Any Series 2005 A Bond surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of the Series 2005 Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each such 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 Series 2005 A Bonds during the 15 days preceding a scheduled payment date on such Bonds or after notice of any prepayment of such Bonds has been given.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2005 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Series 2005 A 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 Series 2005 A 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 Series 2005 A Bond so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Series 2005 A Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds Not to Be Indebtedness of the Issuer. The Series 2005 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 2005 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2005 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2005 A Bonds shall be secured forthwith by a lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided, 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 2005 A 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 2005 A Bonds as the same become due.

Section 3.09. Form of Bonds. The text of the Series 2005 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF BOND]

TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
WATER REFUNDING REVENUE BONDS, SERIES 2005 A

No. R-1

\$870,000

KNOW ALL MEN BY THESE PRESENTS: That TAYLOR COUNTY PUBLIC SERVICE DISTRICT, a 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

- BRANCH BANKING AND TRUST COMPANY -

or registered assigns (the "Payee"), the principal sum of Eight Hundred Seventy Thousand (\$870,000), plus interest as follows:

A. Interest on this Bond shall be payable at a rate of 3.99% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

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 of 6.32% 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 84 16th day of each month thereafter, to and including May 16, 2012. The monthly installments shall consist of principal and interest of \$11,887.86 per month.

D. All payments received by the Paying Agent on account of the Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of the Bond. If not sooner paid, the entire principal amount of this Bond unpaid on May 16, 2012, 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 Branch Banking and Trust Company, Charleston, West Virginia, as Bond Registrar and Paying Agent.

This Bond is subject to prepayment of the principal balance in whole on a scheduled payment date with a 1% prepayment premium.

This Bond is issued to (i) refund the Issuer's Water Refunding Revenue Bond, Series 1996 C, (ii) finance the costs of acquisition of certain equipment to be used in connection with the operation of the Issuer's existing public waterworks system (the "Project"), (iii) to fund a portion of the reserve account for the Bond, and (iv) to pay costs of issuance and related costs. The existing public waterworks facilities of the Issuer, the Project and any further additions, improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on May 12, 2005, and a Supplemental Resolution, duly adopted by the Issuer on May 12, 2005 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's (i) Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), dated July 16, 2004, issued in the original aggregate principal amount of \$961,000, (ii) Water Revenue Bond, Series 1996 A (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$350,000, and (iii) Water Revenue Bond, Series 1996 B (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$129,000.

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 Payee, for the terms of which reference is made to said Bond Legislation. Remedies provided the Payee 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 Bond Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such registration requirements, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

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.

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 \_\_\_\_\_, 2005.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

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: \_\_\_\_\_

\_\_\_\_\_  
as Registrar

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

[Form of Assignment]

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto \_\_\_\_\_ the within-mentioned Bond and docs 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 3.10.      Sale of Bonds. The Series 2005 A Bonds 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 thereof.

Section 3.11.      Disposition of Bond Proceeds. From the monies received from the sale of the Series 2005 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2005 A Bonds, the Issuer shall forthwith apply \$694,631.57 of the proceeds of the Series 2005 A Bonds which is equal to the amount necessary to pay in full the entire principal of and interest accrued on the Series 1996 C Bonds to the Holder thereof.

B. Next, the Issuer shall deposit \$5,947.42 of the proceeds of the Series 2005 A Bonds with the Commission to be placed into the Series 2005 A Bonds Reserve Account.

C. The remaining proceeds of the Series 2005 A Bonds in an amount equal to \$169,421.01 shall be deposited with the Depository Bank into the Project Fund which shall be used first to pay costs of issuance and then solely to pay the costs of the acquisition of the Project in the manner set forth in the Project Fund Agreement and until so expended, are hereby pledged as additional security for the Series 2005 A Bonds.

Section 3.12.      Designation of Bonds "Qualified Tax-Exempt Obligations."  
The Issuer hereby designates the Series 2005 A Bonds as "qualified tax-exempt obligations" for the purpose 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), including the Series 2005 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during calendar year 2005.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank

The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund (established by Prior Resolutions);
- (2) Reserve Fund (established by Prior Resolutions and herein called the "Prior Bonds Reserve Fund");
- (3) Depreciation Reserve (established by the Prior Resolutions); and
- (4) Project Fund.

Section 4.02. Establishment of Funds and Accounts with Commission

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

- (1) Series 2004 A Bonds Reserve Account (established by the Prior Resolutions); and
- (2) Series 2005 A Bonds Reserve Account.

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

So long as the Series 2005 A Bonds shall be outstanding and unpaid, or until there shall have been set apart, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2005 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Series 2005 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 established with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein 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 herein.

B. **DISPOSITION OF REVENUES.** All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(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 2005 A Bonds transfer from the Revenue Fund and remit (i) 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 principal and interest, if any, on the Prior Bonds; and (ii) to the Paying Agent the amount required to pay the interest on the Series 2005 A Bonds and to amortize the principal of the Series 2005 A Bonds over the life of the Series 2005 A Bonds. All payments with respect to principal of and interest on the Prior Bonds and the Series 2005 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, (i) on the date specified in the Prior Resolutions, transfer from the Revenue Fund and remit to the Depository Bank for deposit into the Prior Bonds Reserve Fund the amounts required by the Series 1996 A and 1996 B Resolution; (ii) to the Commission for deposit into the Series 2004 A Bonds Reserve Account, the amounts required by the Series 2004 A Resolution; and (iii) on the date of issuance of the Series 2005 A Bonds, remit to the Commission an amount necessary to fully fund the Series 2005 A Bonds Reserve Account; provided that no further payments shall be made into the Series 2005 A Bonds Reserve Account so long as there shall remain on deposit therein an amount equal to the Series 2005 A Bonds Reserve Requirement.

(4) The Issuer shall next on the first day of each month, transfer from the Revenue Fund and remit the amounts required by the Prior Resolutions. Monies in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of interest on and principal of the Prior Bonds and the Series 2005 A Bonds as the same become due, and next to restore to the Prior Bonds Reserve Fund, the Series 2004 A Bonds Reserve Account and the Series 2005 A Bonds Reserve Account any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments into the Prior Bonds Reserve Fund, the Series 2004 A Bonds Reserve Account and the Series 2005 A Bonds Reserve Account are current and in

accordance with the foregoing provisions, monies in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements, repairs, improvements or extensions to the System, or any part thereof.

(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 Prior Bonds and the Series 2005 A Bonds, pro rata, or for any lawful purpose.

The Depository Bank and the Commission, as applicable, are hereby designated as the Fiscal Agents for the administration of the Prior Bonds Reserve Fund, the Deprecation Reserve, the Series 2004 A Bonds Reserve Account and the Series 2005 A Bonds Reserve Account, and all amounts required for the Prior Bonds Reserve Fund, the Depreciation Reserve, the Series 2004 A Bonds Reserve Account and the Series 2005 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, as applicable, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2005 A Bonds and the interest thereon.

Any withdrawals from the Series 2005 A Bonds Reserve Account which result in a reduction in the balance of the Series 2005 A Bonds Reserve Account to below the Series 2005 A Bonds Reserve Requirement shall be subsequently restored, on a pro rata basis, from the first Net Revenues available after all required payments have been made with respect to the principal of and interest on the Prior Bonds and the Series 2005 A Bonds. Monies in the Series 2005 A Bonds Reserve Account shall be used only for, and are hereby pledged for, the purpose of paying principal of and interest on the Series 2005 A Bonds as the same shall come due, when other monies of the Issuer are insufficient therefor, and for no other purpose.

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

Subject to the Prior Resolutions, the Depository Bank and the Commission, as applicable, at the direction of the Issuer, shall keep the monies

in the Prior Bonds Reserve Fund, the Depreciation Reserve, the Series 2004 A Bonds Reserve Account and the Series 2005 A Bonds Reserve Account, 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 Prior Bonds Reserve Fund, the Series 2004 A Bonds Reserve Account and the Series 2005 A Bonds Reserve Account, so long as the respective reserve requirement is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Depository Bank and the Commission, as applicable.

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. 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.

E. 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.

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

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

## ARTICLE V

### GENERAL COVENANTS

Section 5.01.      General Statement. So long as the Series 2005 A Bonds shall be outstanding and unpaid, or until there shall have been set apart a sum sufficient to prepay the entire principal of the Series 2005 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 Bondholder.

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 2005 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 2005 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. No Parity Bonds shall be issued after issuance of the Series 2005 A Bonds unless the provisions contained in the Prior Resolutions respecting issuance of Parity Bonds have been satisfied.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2005 A Bonds.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement from the Independent Certified Public Accountants 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; 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 Series 2005 A Bonds 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 Bonds on such Revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Bond.

No Parity Bonds shall be issued any time, however, unless all the payments provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required

to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

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; provided that the Purchaser shall not withhold its consent so long as the Issuer meets the conditions set forth in this Section 5.04.

Section 5.05. Insurance and Bonds. A. 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 2005 A Bonds remain 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 Series 2005 A Bonds.

(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.

(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.

(vii) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, so long as the Series 2005 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 with insurance carriers or bonding companies acceptable to Purchaser.

B. All insurance proceeds awarded to the Issuer that are not applied to the repair or replacement of the subject property damaged or destroyed, shall be applied by the Issuer to prepayment of the Bond, unless otherwise consented to in writing by the Bondholder.

Section 5.06. 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, 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 2005 A Bonds, on a parity with the Prior Bonds.

Section 5.07. Fiscal Year; Budget. While the Series 2005 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 5.08. 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 5.09. 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 5.10. 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 2005 A Bonds are outstanding.

Section 5.11.      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 February 3, 2005, Case No. 04-1287-PWD-19A, 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

TAX COVENANTS

Section 7.01. 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 Series 2005 A Bonds 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 Series 2005 A Bonds during the term thereof is, under the terms of the Series 2005 A Bonds 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 Series 2005 A Bonds 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 Series 2005 A Bonds during the term thereof is, under the terms of the Series 2005 A Bonds 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 Series 2005 A Bonds 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 Series 2005 A Bonds 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 Series 2005 A Bonds 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 Series 2005 A Bonds 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 Series 2005 A Bonds

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 Series 2005 A Bonds 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 7.02. 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 Series 2005 A Bonds which would cause the Series 2005 A Bonds 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 Series 2005 A Bonds) so that the interest on the Series 2005 A Bonds 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 7.03. 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 Series 2005 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2005 A Bonds 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 in 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 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations.

## ARTICLE VIII

### DEFAULT AND REMEDIES

Section 8.01.      Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Series 2005 A Bonds:

1. If default occurs in the due and punctual payment of the principal of or interest on the Series 2005 A Bonds; or

(A) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2005 A Bonds set forth in this Bond Legislation, any supplemental resolution, or in the Series 2005 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder of a Series 2005 A Bonds;

(B) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(C) If default occurs with respect to the Prior Bonds or the Prior Resolutions.

Section 8.02.      Remedies. Upon the happening and continuance of any Event of Default, the Registered Owner of the Series 2005 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owner including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2005 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owner of the Series 2005 A Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2005 A Bonds, or the rights of such Registered Owner.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2005 A Bonds shall be on a parity with those of the Holders of the Prior Bonds.

## ARTICLE IX

### DEFEASANCE

Section 9.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holder of the Series 2005 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then this Bond Legislation and 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 2005 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 2005 A Bonds from gross income for federal income tax purposes.

The payment of the Series 2005 A Bonds with either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, 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 Series 2005 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. The Series 2005 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Paying Agent, either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with other monies, 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 Series 2005 A Bonds on and prior to the maturity dates thereof. Neither securities nor monies 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 Series 2005 A Bonds; 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 Series 2005 A Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the 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 X  
MISCELLANEOUS

Section 10.01. Amendment or Modification of Bond Legislation . This Bond Legislation may not be amended or modified after final passage without the prior written consent of the Registered Owner; provided, however, that this Bond Legislation may be amended without the consent of the Registered Owner as may be necessary to assure the exclusion of interest on the Series 2005 A Bonds from gross income of the Registered Owner for federal income tax purposes.

Section 10.02. 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 Series 2005 A Bonds.

Section 10.03. Table of Contents and Headings. The table of contents and headings of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 10.04. Conflicting Provisions Repealed. All orders, indentures, or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

Section 10.05. 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 10.06. Effective Date . This Resolution shall take effect immediately upon adoption.

Adopted this 12th day of May, 2005.

Richard D. Small  
Chairman

CERTIFICATION

Certified a true copy of a Bond Resolution duly adopted by the Public Service Board of Taylor County Public Service District on the 12th day of May, 2005.

Date: May 16, 2005.

[SEAL]

Edward Beavers  
Secretary

05/11/05  
888110.00002

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Water Refunding Revenue Bonds, Series 2005 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATE, MATURITY, INTEREST RATE AND OTHER TERMS OF THE WATER REFUNDING REVENUE BONDS, SERIES 2005 A, OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO BRANCH BANKING AND TRUST COMPANY; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the public service board (the "Governing Body") of Taylor County Public Service District (the "Issuer") has duly and officially adopted a resolution on May 12, 2005 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER REFUNDING REVENUE BOND, SERIES 1996 C, OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT AND THE ACQUISITION OF CERTAIN EQUIPMENT TO BE USED IN CONNECTION WITH THE OPERATION OF THE EXISTING PUBLIC WATERWORKS FACILITIES OF THE DISTRICT THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REFUNDING REVENUE BONDS, SERIES 2005 A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Water Refunding Revenue Bonds, Series 2005 A, of the Issuer (the "Bonds" or the "Series 2005 A Bonds"), in an aggregate principal amount of not more than \$1,000,000, all in accordance with

Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Resolution, it is provided that the date, the maturity date, interest rate and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bonds are proposed to be purchased by Branch Banking and Trust Company, Charleston, West Virginia (the "Purchaser"), pursuant to the terms of the commitment letter dated January 20, 2005, a copy of which is attached hereto and made a part hereof (the "Commitment Letter"); and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the date, the maturity date, the interest rate and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there is hereby authorized and ordered to be issued the Water Refunding Revenue Bonds, Series 2005 A, of the Issuer, originally represented by a single Bond, numbered R-1, in the principal amount of \$870,000. The Series 2005 A Bonds shall be dated May 16, 2005, shall mature on May 16, 2012 and shall bear interest as follows:

A. Interest on the Bonds shall be payable at a rate of 3.99% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

B. Notwithstanding any other provision herein, in the event the interest on the Bonds is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on the Bonds shall be payable at a rate of 6.32% 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 the Bonds 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 the Bonds are paid, notwithstanding that the entire principal amount of the Bonds may have

been paid in full prior to the Determination of Taxability. Any interest being past due on the Bonds by reason of such increase shall become immediately due and payable.

C. The Bond shall be payable in 84 monthly installments, commencing June 16, 2005, and continuing on the 16th day of each month thereafter to and including May 16, 2012. The monthly installments shall consist of principal and interest in the amount of \$11,887.86.

D. All payments received by the Paying Agent on account of this Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of this Bond. If not sooner paid, the entire principal amount of this Bond unpaid on May 16, 2012, together with all accrued interest and any other sums due and owing upon this Bond shall be due and payable on such date.

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

Section 3. The Issuer does hereby approve the terms of the Commitment Letter, including specifically the 1/2% fee charged by the Purchaser to issue the Bonds and the 1% prepayment premium should the Bonds be prepaid prior to maturity.

Section 4. The Bonds shall be sold to Branch Banking and Trust Company, Charleston, West Virginia, and shall be registered in the name of such bank. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 5. The Issuer does hereby appoint and designate Branch Banking and Trust Company, Charleston, West Virginia, as the Depository Bank, the Registrar and the Paying Agent for the Bonds.

Section 6. The Issuer hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Section 7. The Chairman and Secretary are hereby authorized and directed to execute and deliver the Bonds and such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Purchaser on or about May 16, 2005.

Section 8. Series 2005 A Bonds proceeds in the amount of \$5,947.42 shall be deposited in the Series 2005 A Bonds Reserve Account. There shall be transferred from the Series 1996 C Bonds Reserve Fund by the Depository Bank to the Commission the

amount of \$81,052.58 which, together with \$5,947.42 from the proceeds of the Series 2005 A Bonds, shall be sufficient to fully fund the Series 2005 A Bonds Reserve Account to the amount required by the Bond Resolution.

Section 9. The balance of the proceeds of the Series 2005 A Bonds shall be deposited in the Project Fund for payment of the costs of the acquisition of the Project, including, without limitation, costs of issuance of the Series 2005 A Bonds and related costs.

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

[Remainder of Page Intentionally Left Blank]

Adopted this 12th day of May, 2005.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

  
\_\_\_\_\_  
Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Taylor County Public Service District on the 12th day of May, 2005.

Date: May 16, 2005.

[SEAL]

  
Secretary

05/13/05  
888140 00002

# SPECIMEN

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
WATER REFUNDING REVENUE BONDS, SERIES 2005 A

No. R-1

\$870,000

KNOW ALL MEN BY THESE PRESENTS: That TAYLOR COUNTY PUBLIC SERVICE DISTRICT, a 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

- BRANCH BANKING AND TRUST COMPANY -

or registered assigns (the "Payee"), the principal sum of EIGHT HUNDRED SEVENTY THOUSAND DOLLARS (\$870,000), plus interest as follows:

A. Interest on this Bond shall be payable at a rate of 3.99% per annum (hereinafter sometimes called the "Tax-Exempt Rate"). Interest shall be computed on the basis of a year of 360 days, and the actual number of days in a month (actual number of days divided by 360) payable for the actual number of days elapsed during any portion of a month.

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 of 6.32% 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. The Bond shall be payable in 84 monthly installments, commencing June 16, 2005, and continuing on the 16th day of each month thereafter, as set forth on the amortization schedule attached as Exhibit A hereto, to and including May 16, 2012. The monthly installments shall consist of principal and interest in the amount of \$11,887.86.

D. All payments received by the Paying Agent on account of this Bond shall be applied first to payment of interest accrued on the Bond and next to payment of principal of this Bond. If not sooner paid, the entire principal amount of this Bond unpaid on May 16, 2012, 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 Branch Banking and Trust Company, Charleston, West Virginia, as Registrar and Paying Agent.

This Bond is subject to prepayment of principal in whole on any scheduled payment date with a 1% prepayment premium.

This Bond is issued to (i) refund the Issuer's Water Refunding Revenue Bond, Series 1996 C, (ii) finance the costs of acquisition of certain equipment to be used in connection with the operation of the Issuer's existing public waterworks system (the "Project"), (iii) to fund a portion of the reserve account for the Bond, and (iv) to pay costs of issuance and related costs. The existing public waterworks facilities of the Issuer, the Project and any further additions, improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on May 12, 2005, and a Supplemental Resolution, duly adopted by the Issuer on May 12, 2005 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Bond is payable only from and secured by a pledge of the Net Revenues to be derived from the operation of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's (i) Water Revenue Bonds, Series 2004 A (United States Department of Agriculture), dated July 16, 2004, issued in the original aggregate principal amount of \$961,000, (ii) Water Revenue Bond, Series 1996 A (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$350,000, and (iii) Water Revenue Bond, Series 1996 B (United States Department of Agriculture), dated February 1, 1996, issued in the original aggregate principal amount of \$129,000.

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 Payee, for the terms of which reference is made to said Bond Legislation. Remedies provided the Payee 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 Bond Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such registration requirements, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

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.

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 May 16, 2005.

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

[SEAL]

  
Chairman

**SPECIMEN**

ATTEST:

  
Secretary

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: May 16, 2005.

BRANCH BANKING AND TRUST COMPANY,  
as Registrar

By: *Russell A. Jones, II*  
Its: Authorized Officer

**SPECIMEN**

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:

\_\_\_\_\_

05/11/05  
888140.00002

BB&amp;T Governmental Finance

Taylor County PSD (Revenue Bond Refunding with Equipment)

Compound Period: Monthly

Nominal Annual Rate: 3.990 %

## CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1	Loan	05/16/2005	870,000.00	1	
2	Payment	06/16/2005	11,887.86	84	Monthly 05/16/2012

## AMORTIZATION SCHEDULE - Normal Amortization, 360 Day Year

	Date	Payment	Interest	Principal	Balance
Loan	05/16/2005				870,000.00
1	06/16/2005	11,887.86	2,892.75	8,995.11	861,004.89
2	07/16/2005	11,887.86	2,862.84	9,025.02	851,979.87
3	08/16/2005	11,887.86	2,832.83	9,055.03	842,924.84
4	09/16/2005	11,887.86	2,802.73	9,085.13	833,839.71
5	10/16/2005	11,887.86	2,772.52	9,115.34	824,724.37
6	11/16/2005	11,887.86	2,742.21	9,145.65	815,578.72
7	12/16/2005	11,887.86	2,711.80	9,176.06	806,402.66
2005 Totals		83,215.02	19,617.68	63,597.34	
8	01/16/2006	11,887.86	2,681.29	9,206.57	797,196.09
9	02/16/2006	11,887.86	2,650.68	9,237.18	787,958.91
10	03/16/2006	11,887.86	2,619.96	9,267.90	778,691.01
11	04/16/2006	11,887.86	2,589.15	9,298.71	769,392.30
12	05/16/2006	11,887.86	2,558.23	9,329.63	760,062.67
13	06/16/2006	11,887.86	2,527.21	9,360.65	750,702.02
14	07/16/2006	11,887.86	2,496.08	9,391.78	741,310.24
15	08/16/2006	11,887.86	2,464.86	9,423.00	731,887.24
16	09/16/2006	11,887.86	2,433.53	9,454.33	722,432.91
17	10/16/2006	11,887.86	2,402.09	9,485.77	712,947.14
18	11/16/2006	11,887.86	2,370.55	9,517.31	703,429.83
19	12/16/2006	11,887.86	2,338.90	9,548.96	693,880.87
2006 Totals		142,654.32	30,132.53	112,521.79	
20	01/16/2007	11,887.86	2,307.15	9,580.71	684,300.16
21	02/16/2007	11,887.86	2,275.30	9,612.56	674,687.60
22	03/16/2007	11,887.86	2,243.34	9,644.52	665,043.08
23	04/16/2007	11,887.86	2,211.27	9,676.59	655,366.49
24	05/16/2007	11,887.86	2,179.09	9,708.77	645,657.72
25	06/16/2007	11,887.86	2,146.81	9,741.05	635,916.67
26	07/16/2007	11,887.86	2,114.42	9,773.44	626,143.23

## BB&amp;T Governmental Finance

27	08/16/2007	11,887.86	2,081.93	9,805.93	616,337.30
28	09/16/2007	11,887.86	2,049.32	9,838.54	606,498.76
29	10/16/2007	11,887.86	2,016.61	9,871.25	596,627.51
30	11/16/2007	11,887.86	1,983.79	9,904.07	586,723.44
31	12/16/2007	11,887.86	1,950.86	9,937.00	576,786.44
2007 Totals		142,654.32	25,559.89	117,094.43	
32	01/16/2008	11,887.86	1,917.81	9,970.05	566,816.39
33	02/16/2008	11,887.86	1,884.66	10,003.20	556,813.19
34	03/16/2008	11,887.86	1,851.40	10,036.46	546,776.73
35	04/16/2008	11,887.86	1,818.03	10,069.83	536,706.90
36	05/16/2008	11,887.86	1,784.55	10,103.31	526,603.59
37	06/16/2008	11,887.86	1,750.96	10,136.90	516,466.69
38	07/16/2008	11,887.86	1,717.25	10,170.61	506,296.08
39	08/16/2008	11,887.86	1,683.43	10,204.43	496,091.65
40	09/16/2008	11,887.86	1,649.50	10,238.36	485,853.29
41	10/16/2008	11,887.86	1,615.46	10,272.40	475,580.89
42	11/16/2008	11,887.86	1,581.31	10,306.55	465,274.34
43	12/16/2008	11,887.86	1,547.04	10,340.82	454,933.52
2008 Totals		142,654.32	20,801.40	121,852.92	
44	01/16/2009	11,887.86	1,512.65	10,375.21	444,558.31
45	02/16/2009	11,887.86	1,478.16	10,409.70	434,148.61
46	03/16/2009	11,887.86	1,443.54	10,444.32	423,704.29
47	04/16/2009	11,887.86	1,408.82	10,479.04	413,225.25
48	05/16/2009	11,887.86	1,373.97	10,513.89	402,711.36
49	06/16/2009	11,887.86	1,339.02	10,548.84	392,162.52
50	07/16/2009	11,887.86	1,303.94	10,583.92	381,578.60
51	08/16/2009	11,887.86	1,268.75	10,619.11	370,959.49
52	09/16/2009	11,887.86	1,233.44	10,654.42	360,305.07
53	10/16/2009	11,887.86	1,198.01	10,689.85	349,615.22
54	11/16/2009	11,887.86	1,162.47	10,725.39	338,889.83
55	12/16/2009	11,887.86	1,126.81	10,761.05	328,128.78
2009 Totals		142,654.32	15,849.58	126,804.74	
56	01/16/2010	11,887.86	1,091.03	10,796.83	317,331.95
57	02/16/2010	11,887.86	1,055.13	10,832.73	306,499.22
58	03/16/2010	11,887.86	1,019.11	10,868.75	295,630.47
59	04/16/2010	11,887.86	982.97	10,904.89	284,725.58
60	05/16/2010	11,887.86	946.71	10,941.15	273,784.43
61	06/16/2010	11,887.86	910.33	10,977.53	262,806.90
62	07/16/2010	11,887.86	873.83	11,014.03	251,792.87
63	08/16/2010	11,887.86	837.21	11,050.65	240,742.22
64	09/16/2010	11,887.86	800.47	11,087.39	229,654.83
65	10/16/2010	11,887.86	763.60	11,124.26	218,530.57
66	11/16/2010	11,887.86	726.61	11,161.25	207,369.32
67	12/16/2010	11,887.86	689.50	11,198.36	196,170.96
2010 Totals		142,654.32	10,696.50	131,957.82	

## BB&amp;T Governmental Finance

68	01/16/2011	11,887.86	652.27	11,235.59	184,935.37
69	02/16/2011	11,887.86	614.91	11,272.95	173,662.42
70	03/16/2011	11,887.86	577.43	11,310.43	162,351.99
71	04/16/2011	11,887.86	539.82	11,348.04	151,003.95
72	05/16/2011	11,887.86	502.09	11,385.77	139,618.18
73	06/16/2011	11,887.86	464.23	11,423.63	128,194.55
74	07/16/2011	11,887.86	426.25	11,461.61	116,732.94
75	08/16/2011	11,887.86	388.14	11,499.72	105,233.22
76	09/16/2011	11,887.86	349.90	11,537.96	93,695.26
77	10/16/2011	11,887.86	311.54	11,576.32	82,118.94
78	11/16/2011	11,887.86	273.05	11,614.81	70,504.13
79	12/16/2011	11,887.86	234.43	11,653.43	58,850.70
2011 Totals		142,654.32	5,334.06	137,320.26	
80	01/16/2012	11,887.86	195.68	11,692.18	47,158.52
81	02/16/2012	11,887.86	156.80	11,731.06	35,427.46
82	03/16/2012	11,887.86	117.80	11,770.06	23,657.40
83	04/16/2012	11,887.86	78.66	11,809.20	11,848.20
84	05/16/2012	11,887.86	39.66	11,848.20	0.00
2012 Totals		59,439.30	588.60	58,850.70	
Grand Totals		998,580.24	128,580.24	870,000.00	





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

May 24 , 2007

Taylor County Public Service District  
Water Revenue Bonds, Series 2007 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, the Series 1996 B Bonds and the Series 2004 A Bonds hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2007 A (United States Department of Agriculture) (the "Series 2007 A Bonds"), in the original aggregate principal amount of not to exceed \$1,061,000, by Taylor County Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Series 2007 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"), Water Revenue Bonds, Series 1996 B, dated February 1, 1996 (the "Series 1996 B Bonds"), and Water Revenue Bonds, Series 2004 A, dated July 16, 2004 (the "Series 2004 A Bonds" and together with the Series 1996 A Bonds and the Series 1996 B Bonds, collectively referred to herein as the "Prior Bonds"); (ii) waives any requirements imposed by the Prior Bonds or the resolutions authorizing the Prior Bonds (the "Prior Resolutions"), regarding the issuance of parity bonds which are not met by the Series 2005 A Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolutions by the Resolution, if any.

A handwritten signature in black ink, consisting of a series of loops and curves, positioned above a horizontal line.

State Director

75 High Street Federal Building • Suite 320 • Morgantown, WV 26505-7500  
Phone: 304.284.4860 • 1.800.295.8228 • Fax: 304.284.4893 • TTY/TDD: 304.284.4836 • Web: <http://www.rurdev.usda.gov/wv>

Committed to the future of rural communities.

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



Governmental Finance

501 Tennessee Avenue  
Charleston, WV 25302  
(304) 353-1653  
Fax (304) 340-4702

May 24, 2007

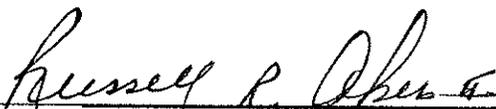
Taylor County Public Service District  
Water Revenue Bonds, Series 2007 A  
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of Branch Banking & Trust Company, the present holder of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), in the original aggregate principal amount of \$1,061,000 (the "Bonds"), by the Taylor County Public Service District (the "Issuer"), under the terms of the bond ordinance authorizing the issuance of the Bonds (the "Ordinance"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Refunding Revenue Bonds, Series 2005 A, dated May 16, 2005, issued in the original aggregate principal amount of \$870,000 (the "Prior Bonds").

WITNESSETH my signature on this 24th day of May, 2007.

BRANCH BANKING AND TRUST COMPANY

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



PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: September 15, 2006

CASE NO. 06-0271-PWD-CN

TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
Grafton, WV 26354

Application for a certificate of convenience and necessity to complete a general upgrade of the existing water plant and to install a 400,000 gallon clear well.

**FINAL**

10/5/2006

RECOMMENDED DECISION

On March 3, 2006, Taylor County Public Service District (District) filed an application, duly verified, for a certificate of convenience and necessity to construct improvements to its existing water system. The District's project will be a general upgrade of its existing water plant. The plant upgrade will include rebuilding of existing filters, replacing of in-plant water main, installation of various sizes and types of plant process and yard piping, modifications to sludge basin and installing a new 400,000 gallon, below grade concrete supplementary clear well. The District stated that the improvements are necessary to provide safe and continuous supply of water for its customers. Financing for the project will include both grant and loan funds, which will require a small rate increase to cover the increased debt service.

By Order dated March 3, 2006, the District was directed to give notice of the filing of the application by publishing a copy of the Order once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Taylor County. The Order required that written protests be filed within thirty (30) days of publication. If no protests are received, the Commission may waive formal hearing and grant the application based upon the evidence submitted with the application.

On March 6, 2006, the District was directed to publish an amended Notice of Filing also in Taylor County.

On April 4, 2006, the District submitted proper affidavits reflecting that publication had been made in accordance with the Commission's requirements in The Mountain Statesman with the date of publication being March 15, 2006.

No protests were filed within the thirty (30) day protest period or as of the date of this Order.

It was estimated that it will cost approximately \$1,899,000 to construct the project. It was proposed that the project will be financed

as follows: a Rural Utilities Service (RUS) loan in the amount of \$1,000,000 and an Environmental Protection Agency (EPA) Special Appropriation Program (SAP) grant in the amount of \$899,000. This project is not a West Virginia Infrastructure and Jobs Development Council project.

On April 7, 2006, Staff Attorney Lisa Wansley-Layne filed an Initial Joint Staff Memorandum explaining that Staff requested that the District provide further information and that a data request had been filed to obtain this information. Staff recommended that the matter be referred to the Division of Administrative Law Judges.

On April 7, 2006, Commission Staff filed its first set of interrogatories, data requests or requests for information upon the Taylor County Public Service District.

By Order dated April 19, 2006, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before September 29, 2006.

On May 30, 2006, Staff Attorney Wansley-Layne filed a Further Joint Staff Memorandum to which was attached the Interim Internal Memorandum prepared by Mr. Nathan Nelson, Utilities Analyst I, Water and Wastewater Division, and Mr. Joseph Marakovits, Technical Analyst II, Engineering Division. Staff requested that the District provide the engineering plans and specifications and final engineering design report by April 27, 2006.

Counsel for the District advised Staff that the requested information could be filed on or after June 6, 2006. Six days after Staff's Final Report was due in this case. Staff requested that it be given until July 1, 2006 to file a Final Joint Staff Memorandum.

By Order dated June 1, 2006, Commission Staff was directed to file with the Commission a Final Joint Staff Memorandum containing its substantive recommendations in this case on or before July 1, 2006. The District was directed to file with the Commission the information requested by Staff in its interrogatories on or before June 9, 2006.

On June 9, 2006, the District submitted the information requested by Staff in its interrogatories.

On June 30, 2006, Staff Attorney Wansley-Layne filed a Final Joint Staff Memorandum to which was attached the Final Internal Memorandum prepared by Mr. Nelson and Jonathan M. Fowler, P.E., Engineer III, Engineering Division. A summary of the project costs, which Commission Staff deemed reasonable, are as follows:

Construction	\$1,450,000
Engineering/Technical	\$ 222,000
Study/Report	\$ 20,000
Design	\$ 105,000
Inspection	\$ 85,000
Geo Technical	\$ 5,000
Miscellaneous	\$ 7,000
Accounting	\$ 4,000
Administration	\$ 40,000

Legal	\$ 10,000
Property	\$ 50,000
Bond Council	\$ 16,000
Interim Financing	\$ 45,000
Contingencies	\$ 123,600
TOTAL	\$1,960,600

Staff noted that the critical permit required for this particular project is the "permit to construct", which would be issued by the West Virginia Bureau of Public Health (Health Department). However, this permit has not, as of this date, been issued. Staff understood that this project was presently under review by the Health Department agency and that issuance of this permit was pending. Therefore, based upon the present status of the project and upon Staff's discussions with the Applicant's engineer and with the officials of the Health Department, Staff recommended issuance of a certificate for this project contingent upon the Applicant's receipt of the necessary Health Department permit. The District should immediately forward a copy of the Health Department's permit to construct to the Commission upon receipt of said permit.

The District proposed to finance this project with a RUS loan in the amount of \$1,000,000 and a SAP grant in the amount of \$899,000 for a total project cost of \$1,899,000. The respective loan and grant amounts were included in the application and published in the Notice of Filing. However, the Final Engineering Report indicates a total project cost of \$1,960,600. To cover the increased project cost, the District filed commitment letters for a RUS loan in the amount of \$1,061,000 and a SAP grant in the amount of \$899,600, committing funds of up to \$1,960,600. The rates contained in the Rule 42 also were developed to cover the debt service for a \$1,061,000 RUS loan.

The RUS loan will be at an interest rate of 4.25% for a period of 38 years. The loan will require monthly payments of approximately \$4,694 or \$56,328 annually. The District will be required to fund a debt reserve account where 10% of its annual payment must be deposited into an account until one year's payment is on deposit. The debt service reserve account will require monthly payments of \$469 or \$5,632 annually.

The District proposed a 1% increase in rates to cover the increased debt service and O&M expenses. The rate will increase the minimum bill \$0.21 to \$22.56 and increase the average based on 4,500 gallons \$0.30 to \$32.07. The resale rate will increase from \$0.89 to \$0.90. The District's resale customers include Southwestern Public Service District, Mount View Water Association, the City of Grafton and Haymond Public Service District.

The District's annual O&M costs will increase \$8,840, from \$453,970 to \$462,810. The proposed 1% increase will provide the District with \$8,486 in additional annual revenues. At *pro forma*, the District will have a \$16,334 surplus with debt service coverage of 115%. Financial Staff opined that the project is feasible and should be approved.

Based upon its review of the District's certificate application, supporting data and documents submitted therewith, Commission Staff recommended that:

1. The District be granted approval of a certificate of convenience and necessity to construct the proposed water system improvements in the amount of \$1,960,600.
2. The Commission approve the project financing consisting of a RUS loan in the amount of \$1,061,000 for a period of 38 years at 4.25% and a SAP grant in the amount of \$899,600.
3. The Commission approve the Staff-recommended tariff which includes the increased rates and charges.
4. If there are any significant changes in the plans, scope or financing of the project, the District should request a reopening of this certificate case for adjustments and approvals.
5. The District should obtain and immediately provide the Commission with a copy of the necessary permit from the West Virginia Bureau of Public Health. This permit must be received prior to proceeding with construction.
6. The District submit a copy of the bid tabulations for all contracts as soon as these become available.
7. The District shall submit a copy of the certificate of substantial completion issued for each construction contract associated with this project as soon as they become available.

By letter from the Commission's Executive Secretary's Office dated June 30, 2006, the District was furnished a copy of the Staff's recommendation and afforded ten (10) days in which to respond thereto, in writing. As of the date of this Order, no response has been filed by the District.

On July 17, 2006, the District filed a Form of Certificate of Separate Mailing of Notice to Customers of Change in Tariff showing that notice of the tariff change had been sent by certified mail to the District's resale customers, except for the City of Grafton

By Order dated August 22, 2006, the District was directed to file with the Commission evidence of mailing by certified mail of a copy of the tariff filing to the City of Weirton on or before September 5, 2005.

By Corrective Order dated August 23, 2006, the Procedural Order of August 22, 2006 was corrected to require evidence of tariff filing from the City of Grafton rather than the City of Weirton.

On August 30, 2006, the District filed the certified mail return receipt card for the City of Grafton as required by the Order of August 22, 2006.

#### DISCUSSION

The District's proposed project will allow the District to meet the more stringent requirements concerning chlorination by-products by allowing the District to modify its treatment plant so as to eliminate

the use of pre-chlorination in an attempt to comply with new lower allowable limits being imposed upon chlorination by-products. This is the principle reason for the present plant improvement project. Staff concurs with the District's assessment that its treatment system must be modified to avoid pre-chlorination if it is consistently to achieve compliance with the disinfectant by-product imposed by State and Federal regulations. Staff's review of the project concluded that it is the most practical and cost-effective solution to the disinfectant by-product issue at this particular facility. Staff opined that the project is necessary and convenient. Accordingly, the certificate application filed herein will be granted. The financing for the proposed project, consisting of RUS loan in the amount of \$1,061,000 and a SAP grant in the amount of \$899,600, will also be approved.

#### FINDINGS OF FACT

1. The Taylor County Public Service District filed an application, duly verified, for a certificate of convenience and necessity to construct certain additions and improvements to its water system in Taylor County. The District proposed a 1% increase in rates to generate sufficient revenues to cover the increased debt service and O&M expenses associated with the project. (See, March 3, 2006 filing).

2. The project, which will cost approximately \$1,960,600, will be financed by a RUS loan in the amount of \$1,061,000 for a period of 38 years at 4.25% and a SAP grant in the amount of \$899,600. (See, March 3, 2006 filing; Final Joint Staff Memorandum filed June 30, 2006).

3. The District submitted proper affidavits of publication reflecting that the Notice of Filing of the application was published in The Mountain Statesman, on March 15, 2006, a newspaper duly qualified by the Secretary of State, published and of general circulation in Taylor County. (See, affidavits of publication filed April 4, 2006).

4. No protests or objections were filed to the District's certificate application within the 30-day protest period, which expired April 15, 2006, or as of the date of this Order. (See, case file generally).

5. The District's proposed 1% increase in rates will increase the annual revenues by \$8,486. The increased rates will produce an annual surplus of \$16,334 and a debt service coverage of 115%. (See, Final Joint Staff Memorandum filed June 30, 2006).

6. Commission Staff recommended that, since the District's proposed project is necessary to allow it to eliminate the use of pre-chlorination in order to comply with the new lower allowable limits being imposed on chlorination by-products, and since the project is financially feasible, the Commission should approve the certificate and the Staff-recommended tariff, which incorporates the District's requested 1% rate increase, as well as revisions to reflect the language in the Commission's most recent Tariff Rules. (See, Final Joint Staff Memorandum filed June 30, 2006).

7. The District filed a Certificate of Separate Mailing reflecting that notice had been sent to its resale customers. (See, Certificate filed July 17, 2006; See, P.S. Form 3811 filed August 30, 2006).

8. The District did not file any objection to the Staff recommendations, despite being given the opportunity to do so. (See, July 3, 2006 Executive Secretary's letter; case file generally).

#### CONCLUSIONS OF LAW

1. The public convenience and necessity requires the Commission to grant the application of the Taylor County Public Service District for the project, to allow it to meet the more stringent requirements concerning chlorination by-products and the water supplied to its four resale customers in Taylor County and its residential customers.

2. It is reasonable to approve the financing of the project, consisting of a RUS loan in the amount of \$1,061,000 for a period of 38 years at 4.25% and a SAP grant in the amount of \$899,600.

3. It is reasonable to approve the District's proposed rates and charges as set forth in Appendix A, attached hereto, to become effective for all services rendered by the District on or after the date the subject project is completed.

#### ORDER

IT IS, THEREFORE, ORDERED that the application filed herein on March 3, 2006, by the Taylor County Public Service District for a certificate of convenience and necessity to complete a general upgrade of its existing water plant and to install a 400,000 gallon clear well, be, and hereby is, granted, contingent upon the District's receipt of the Health Department Permit, which the District shall forward to the Commission immediately upon receipt, but no later than thirty (30) days from the date of this Order.

IT IS FURTHER ORDERED that the financing for the project, consisting of RUS loan in the amount of \$1,061,000 for a period of 38 years at 4.25% and a SAP grant in the amount of \$899,600, be, and hereby is, approved.

IT IS FURTHER ORDERED that the Taylor County Public Service District's proposed rates and charges, as set forth in Appendix A, be, and hereby are, approved to become effective for all service rendered by the District on and after the date the subject project is completed.

IT IS FURTHER ORDERED that the Taylor County Public Service District file an original and at least five (5) copies of 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.

IT IS FURTHER ORDERED that the Taylor County Public Service District be, and hereby is, directed to submit a certificate of substantial

completion of the project from its engineer as soon as it becomes available.

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

IT IS FURTHER ORDERED that the Taylor County Public Service District be, and hereby is, directed to file a copy of the engineer's certified tabulation of bids for the project within ten (10) days of the opening date.

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

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

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

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

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

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

  
Robert W. Glass  
Administrative Law Judge

RWG:kkp:mal  
06027lac.wpd

CASE NO. 06-0271-PWD-CN  
TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, industrial, and sale for resale water service.

RATE (customers with metered water supply)

First	3,000 gallons used per month	\$7.52 per 1,000 gallons
Next	3,000 gallons used per month	\$6.34 per 1,000 gallons
Next	4,000 gallons used per month	\$5.21 per 1,000 gallons
Over	10,000 gallons used per month	\$4.34 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than \$22.56 per month according to the meter size installed.

5/8 inch meter	\$ 22.56 per month
3/4 inch meter	\$ 33.84 per month
1 inch meter	\$ 56.40 per month
1-1/2 inch meter	\$112.80 per month
2 inch meter	\$180.48 per month
3 inch meter	\$338.40 per month

SALES FOR RESALE

All water for resale to the resale customers of Taylor County Public Service District will be billed in accordance with the approved rate of \$0.90 per 1,000 gallons used per month.

RECONNECTION CHARGE - \$20.00

To be charged whenever the supply of water is turned off for violation of rules, non-payment of bills or fraudulent use of water.

TAP FEE

The following charges are to be made whenever the utility installs a new tap to serve an applicant.

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

A tap fee of \$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.

DELAYED PAYMENT PENALTY

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

LEAK ADJUSTMENT

\$0.28 per 1,000 gallons is to be used when a bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

CASE NO. 06-0271-PWD-CN  
Taylor County PSD

THE MOUNTAIN STATESMAN

914 WEST MAIN STREET, GRAFTON, WV 26354  
PHONE: (304) 265-3333

LEGAL ADVERTISING INVOICE

DATE: 3/31/2006

Account #	1404
ROBERT C GOREY	
PO BOX 4	
GRAFTON WV 26354	

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 #  
was published once a week for one  
weeks in said Mountain Statesman newspaper as  
aforesaid, commencing on the March 15, 2006

Given under my hand this 31st day of March 2006

*Jean M. Ellerman* Publisher

Printers fee \$ \_\_\_\_\_

INVOICE # 9919 AMOUNT REMITTED \$ \_\_\_\_\_

RE: NOTICE OF FILING

TC PUBLIC SERVICE DISTRICT

INSERTION DATES: 03/15/06

AMOUNT DUE: \$150.35 \$2 Aff. Fee is already included

Legal Rate Information: 11.5 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

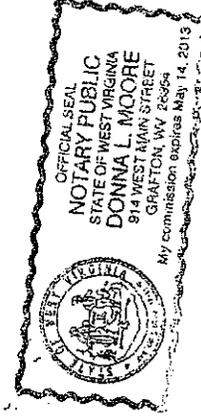
PLEASE PUT INVOICE NUMBER ON CHECK

NOTICE: 1 1/2% SERVICE CHARGE IF NOT PAID IN 30 DAYS  
MINIMUM \$ 1.00

West Virginia, Taylor County, To Wit:  
Subscribed and sworn to before me this

*March 30* 2006  
*Donna J Moore* Notary Public

My Commission Expires *May 14 2013*



FILED  
06 APR -6 AM 8:13  
W. VA. COMMISSIONER OF  
SECRETARY'S OFFICE

**LEGAL**

**PUBLIC SERVICE COMMISSION OF WEST VIRGINIA CHARLESTON**

Entered by the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 7th day of March, 2006.

CASE NO. 06-0231-PWD-CN

**TAYLOR COUNTY PUBLIC SERVICE DISTRICT**  
Station, WV 26864

Applicant for a certificate of convenience and necessity to complete a general upgrade of the existing water plant and to install a 400,000 gallon per day water treatment plant.

**NOTICE OF HEARINGS**

WHEREAS and March 2, 2006, the Taylor County Public Service District has submitted to the Public Service Commission a certificate of convenience and necessity for the construction of certain additions and improvements to the Taylor County Public Service District water plant; and the Taylor County Public Service District has applied for a certificate of convenience and necessity for the construction of the Public Service Commission, 401 Broad Street, Charleston, West Virginia.

WHEREAS the Taylor County Public Service District (Applicant) submitted to the Public Service Commission a certificate of convenience and necessity for the construction of certain additions and improvements to the Taylor County Public Service District water plant; and the Taylor County Public Service District has applied for a certificate of convenience and necessity for the construction of the Public Service Commission, 401 Broad Street, Charleston, West Virginia.

**APPLICABILITY**

Applicable within the entire territory served.

**AVAILABILITY OF SERVICE**

Available for general, commercial, residential, and sale for resale water service.

**RATE**

- First 3,000 gallons used per month \$7.52 per 1,000 gallons
  - Next 3,000 gallons used per month \$6.34 per 1,000 gallons
  - Next 4,000 gallons used per month \$5.21 per 1,000 gallons
  - Over 10,000 gallons used per month \$4.94 per 1,000 gallons
- Minimum rate for 100 gallons
- Rate will be graded off rather than the following amounts, according to the size of the meter installed to wit:
- 5/8" inch meter \$22.50 per month
  - 3/4" inch meter \$30.84 per month
  - 1" inch meter \$55.40 per month
  - 1-1/2" inch meter \$112.80 per month
  - 2" inch meter \$180.40 per month
  - 3" inch meter \$338.40 per month

**RE-CONNECTION CHARGE \$20.00**

**RATE**

- \$0.95 per 1,000 gallons
- Raymond Public Service District and Mountain View Water Association
- transportation charge
- \$0.15 per 1,000 gallons
- Southwestern Water District

**RATE**

\$0.90 per 1,000 gallons sold to the resale customers of Taylor County Public Service District.

**TAP FEE**

\$25.00 when construction is no longer assessed to property.

**DELAYED PAYMENT PENALTY**

The above tariff is net. On all accounts not paid in full within twenty (20) days of the latest periodic bill, a penalty of 1% per month (12% per year) shall be assessed on the unpaid balance. The delayed payment penalty is not interest and is to be assessed only once for each bill, where it is appropriate.

**RISK ADJUSTMENT**

\$0.20 per 1,000 gallons to be used where the risk reflects unusual construction that can be attributed to a possible leakage on customer's side of the meter. This rate shall be applied to all construction above the customer's meter and above the meter.

These rates represent the following projected increases:

- Residential \$2.00
- Commercial \$2.00
- Resale \$2.00

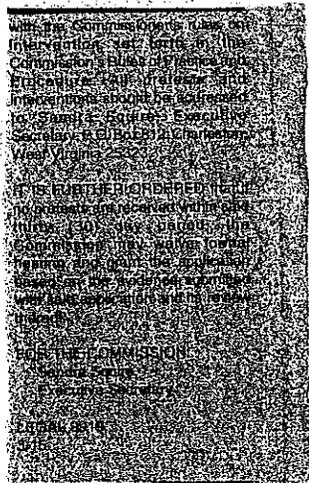
The increase of water rates for residential, commercial and resale customers is based on the projected increase in the cost of water and the cost of the water.

The increase of water rates for commercial and resale customers is based on the projected increase in the cost of water and the cost of the water.

According to § 24-2-11, West Virginia Code, IT IS ORDERED that the Taylor County Public Service District give notice of the filing of said application by publishing a copy of this notice in a newspaper published by the Secretary of State.

Any person desiring to protest or intervene should file a written protest or notice of intervention within 30 days following the date of this publication, unless otherwise modified by Commission order. Failure to timely protest or intervene can affect your right to protest aspects of the certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or intervention. Requests to intervene must comply

05 APR -6 AM 8:13  
W.VA. PUBLIC SERVICE COMMISSION  
SECRETARY'S OFFICE



This utility is seeking a rate increase. Details available in newspaper publications or at the utility office after March 31, 2006 by calling Taylor Co. PSD Utility Office at 304-265-5569

- Dismissed  
on March 20  
water bills

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to: *DL-DAT1*

Raymond PSD  
PO Box 412  
Grafton, WV 26354

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) *THOMPSON* B. Date of Delivery *11/3/06*

C. Signature *[Signature]*  Agent  Addressee

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label) *7000 1670 0003 6840 5191*

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to: *DL-DAT1*

Mt. View Water Assoc.  
RR 4 Box 128  
Grafton, WV 26354

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) *SAUNDERS* B. Date of Delivery *8-21-06*

C. Signature *[Signature]*  Agent  Addressee

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label) *7000 1670 0003 6840 5114*

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to: *DL-DAT1*

Southwestern Water Dist.  
PO Box 98  
Flemington, WV 26347

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery *3/2/06*

C. Signature *[Signature]*  Agent  Addressee

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label) *7000 1670 0003 6840 5107*

## LEGAL

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered by the PUBLIC SERVICE  
COMMISSION OF WEST VIRGINIA  
in the City of Charleston on the 3<sup>rd</sup>  
day of March, 2006.

CASE NO. 06-0271-PWD-CN

TAYLOR COUNTY PUBLIC  
SERVICE DISTRICT,  
Grafton, WV 26354.

Application for a certificate of  
convenience and  
Necessity to complete a general  
upgrade of the  
Existing water plant and to install a  
400,000  
Gallon clear well.

### NOTICE OF FILING

WHEREAS, on March 3, 2006,  
the Taylor County Public Service  
District  
filed an application, duly verified, for  
a Certificate to construct certain  
additions and improvements to the  
Taylor County Public Service District  
system in Taylor County. The  
application is on file with and  
available for public inspection at the  
Public Service Commission, 201  
Brooks Street, in Charleston, West  
Virginia.

WHEREAS, the Taylor County  
Public Service District (Applicant)  
estimates that construction will cost  
approximately One Million Eight  
Hundred Ninety-Nine Thousand  
Dollars (\$1,899,000.00); it is  
proposed that the construction will  
be financed as follows: Rural Utilities  
Services (RUS) loan in the amount  
of \$1,000,000.00 and a Special  
Appropriation Program (SAP) grant  
in the amount of \$899,000.00.

### Schedule 1

#### APPLICABILITY

Applicable within the entire  
territory served.

#### AVAILABILITY OF SERVICE

Available for general  
domestic, commercial, industrial, and  
sale for resale water service.

#### RATE

First 3,000 gallons used  
per month: \$7.52 per 1,000 gallons  
Next 3,000 gallons used  
per month: \$6.34 per 1,000 gallons  
Next 4,000 gallons used  
per month: \$5.21 per 1,000 gallons  
Over 10,000 gallons used  
per month: \$4.34 per 1,000 gallons

#### MINIMUM CHARGE

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

5/8 inch meter \$22.58 per month  
3/4 inch meter \$33.84 per month  
1 inch meter \$58.40 per month  
1-1/2 inch meter \$112.90 per month  
2 inch meter \$180.48 per month  
3 inch meter \$338.40 per month

#### RE-CONNECTION CHARGE

\$20.00

#### RATE

\$0.35 per 1,000 gallons  
Haymond Public Service District  
and Mountain View Water  
Association-  
Transportation Charge

\$0.15 per 1,000 gallons  
Southwestern Water District-  
Transportation Charge

#### RATE

\$0.90 per 1,000 gallons sold to the  
resale customers of Taylor County  
Public Service District

#### TAP FEE

\$250.00 when construction is no  
longer adjacent to property

#### DELAYED PAYMENT

##### PENALTY

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

#### LEAK ADJUSTMENT

\$0.28 per 1,000 gallons is to  
be used when a bill reflects unusual  
consumption which can be attributed  
to eligible leakage on customer's  
side of the meter. This rate shall be  
applied to all such consumption  
above the customer's historical  
average use.

These rates represent the following  
project-related increases:

	(\$)	Increase	(%)
Residential	\$2.07	.94%	
Commercial	\$2.07	.94%	
Resale	\$568.20	1.10%	

The proposed increased rates and  
charges will produce approximately  
\$8,486.00 annually in additional  
revenue, an increase of 1.08%.

The increases shown are based on  
averages of all customers in the  
indicated class. Individual customers  
may receive increases that are  
greater or less than average.  
Furthermore, the requested rates  
and charges are only a proposal and  
are subject to change (increases  
and decreases) by the Public Service  
Commission in its review of this filing.

Pursuant to §24-2-11, West Virginia  
Code, IT IS ORDERED that the  
Taylor County Public Service District  
give notice of the filing of said  
application, by publishing a copy of  
this order once in a newspaper duly  
qualified by the Secretary of State,  
published and of general circulation  
in Taylor County, making due return  
to this Commission of proper  
certification of publication  
immediately after publication.  
Anyone desiring to protest or  
intervene should file a written protest  
or notice of intervention within 30  
days following the date of this  
publication unless otherwise  
modified by Commission order.  
Failure to timely protest or intervene  
can affect your right to protest  
aspects of this certificate case,  
including any associated rate  
increases, or to participate in future  
proceedings. All protests or requests  
to intervene should briefly state the  
reason for the protest or intervention.  
Requests to intervene must comply  
with the Commission's rules on  
intervention set forth in the  
Commission's Rules of Practice and  
Procedure. All protests and  
interventions should be addressed to  
Sandra Squire, Executive  
Secretary, P.O. Box 812, Charleston,  
West Virginia 25320.

IT IS FURTHER ORDERED that if  
no protests are received within said  
thirty (30) day period, the  
Commission may waive formal  
hearing and grant the application  
based on the evidence submitted  
with said application and its review  
thereof.

#### FOR THE COMMISSION:

Sandra Squire,  
Executive Secretary

LEGAL 9919  
3/15



**LOAN RESOLUTION**  
(Public Bodies)A RESOLUTION OF THE Board of DirectorsOF THE Taylor County Public Service DistAUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS Treatment Plant Improvements

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

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

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

**ONE MILLION SIXTY-ONE THOUSAND AND XX / 100 DOLLARS (\$1,061,000.00)**pursuant to the provisions of Chapter 16, Article 13A; 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.

- 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 \$ 0.00

under the terms offered by the Government; that Chairman

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

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

Yeas 4 Nays 0 Absent 0

IN WITNESS WHEREOF, the Board of Directors of the

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

to be executed by the officers below in duplicate on this 6 day of Dec, 2005

Taylor County Public Service Dist

(SEAL)

By Robert G. Knotts  
Robert G. Knotts

Title Chairman

Attest:  
James W. Bugglesman

Title December 6, 2005

**CERTIFICATION TO BE EXECUTED AT LOAN CLOSING**

I, the undersigned, as \_\_\_\_\_ of the Taylor County Public Service Dist  
 hereby certify that the Board of Directors of such Association is composed of  
5 members, of whom 3 constituting a quorum, were present at a meeting thereof duly called and  
 held on the 6th day of December, 2005; and that the foregoing resolution was adopted at such meeting  
 by the vote shown above, I further certify that as of May 24, 2007,  
 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 24th day of May, 2007

Robert L. Kott  
 Title Chairman



TAYLOR COUNTY PUBLIC SERVICE DISTRICT

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

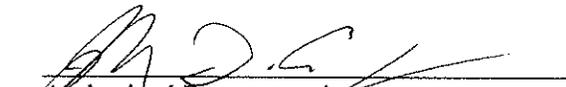
RECEIPT FOR BOND

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 24th day of May, 2007, at Grafton, West Virginia, the undersigned received for the Purchaser the single, fully registered Taylor County Public Service District Water Revenue Bonds, Series 2007 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$1,061,000 (the "Bonds"), dated the date hereof, bearing interest at the rate of 4.125% per annum, payable in monthly installments as stated in the Bonds. The Bonds represent the entire above-captioned Bond 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 \$80,300, 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.

[Remainder of Page Intentionally Blank]

WITNESS my signature on this 24th day of May, 2007.

  
Authorized Representative

888140.00003

CH849532.1



# SPECIMEN

TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS, SERIES 2007 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$1,061,000

No. AR-1

Date: May 24, 2007

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 MILLION SIXTY ONE THOUSAND DOLLARS, (\$1,061,000), plus interest on the unpaid principal balance at the rate of 4.125 % per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 12 months after the date hereof, and \$4,786.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 36 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 May 22, 2007, authorizing issuance of this Bond (the "Resolution").

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

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

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

(i) WATER REVENUE BONDS, SERIES 1996 A (UNITED STATES DEPARTMENT OF AGRICULTURE), 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 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 1, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$129,000, AND DESCRIBED IN THE PRIOR RESOLUTIONS; AND

(iii) WATER REVENUE BONDS, SERIES 2004 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 16, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$961,000 AND DESCRIBED IN THE PRIOR RESOLUTIONS; AND

(iv) WATER REFUNDING REVENUE BONDS, SERIES 2005 A (BRANCH BANKING AND TRUST COMPANY), DATED MAY 16, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$870,000, 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: *Robert Smith*  
Its: Chairman Public Service Board  
Post Office Box 202  
Grafton, West Virginia 26354

ATTEST:

By: *Edmund Saunders*  
Its: Secretary Public Service Board



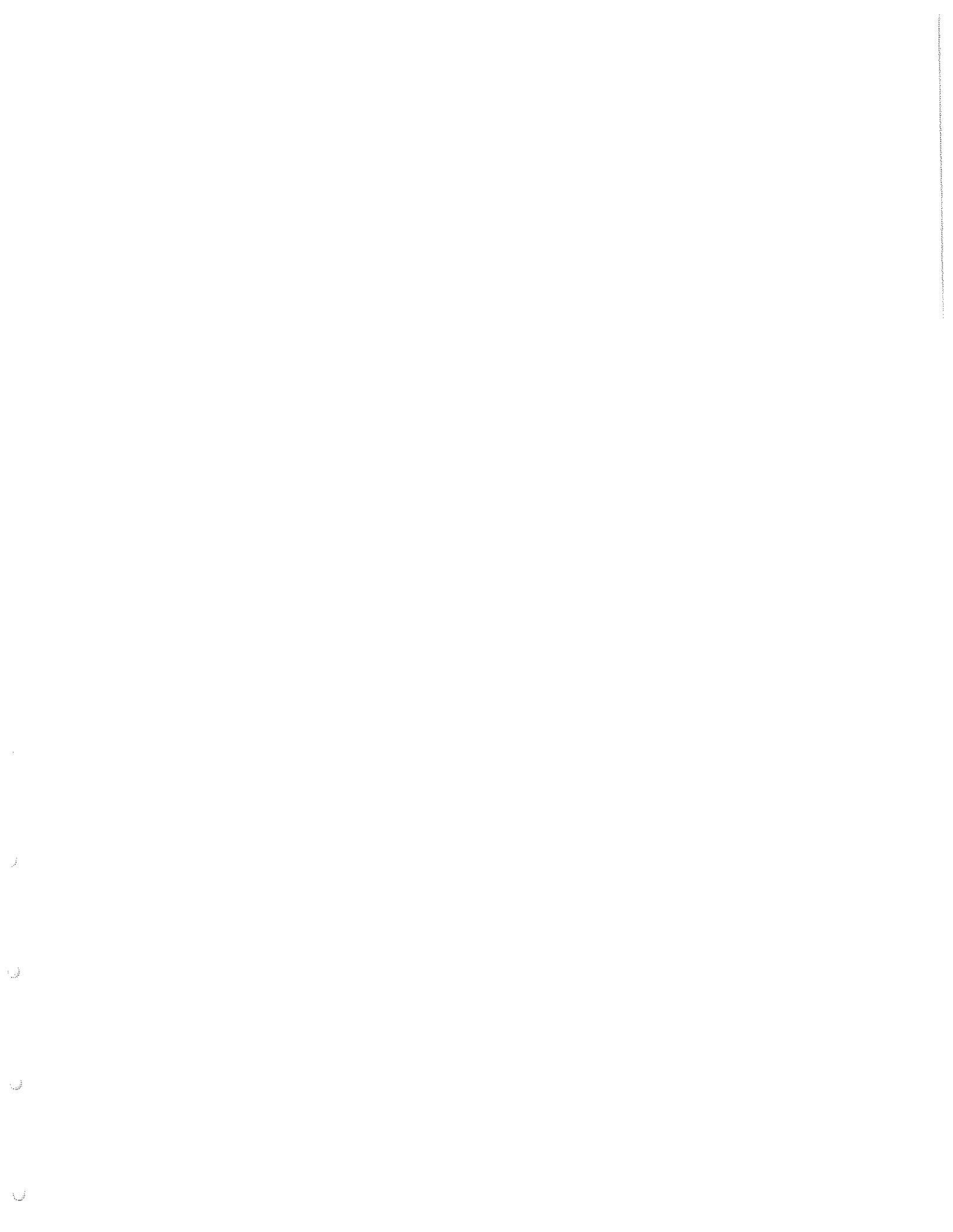
(Form of Assignment)

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:  
  
\_\_\_\_\_



May 24, 2007

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

Taylor County Public Service District  
Grafton, West Virginia

United States Department of Agriculture  
Elkins, 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 \$1,061,000 Water Revenue Bonds, Series 2007 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 May 22, 2007, (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

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

3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds on a parity with the Issuer's Water Revenue Bonds, Series 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"), the Water Revenue Bonds, Series 2004 A, dated July 16, 2004 and issued in the original aggregate principal amount of \$961,000, and the Water Refunding Revenue Bonds, Series 2005 A, dated May 16, 2005, issued in the original aggregate principal amount of \$870,000 (the "Series 2005 A 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



# ROBERT C. GOREY, JR.

Attorney at Law  
West Virginia State Bar #1442  
P.O. Box 4  
Grafton, WV 26354  
(304) 290-5242 tel.  
bobgorey@yahoo.com

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May 24, 2007

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

Taylor County Public Service District  
Grafton, WV 25354

United States Department of Agriculture  
Parkersburg, WV

Step toe & Johnson PLLC  
Charleston, WV 25326

Ladies and Gentleman:

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 Step toe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted May 22, 2007 (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of the County Commission of 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.

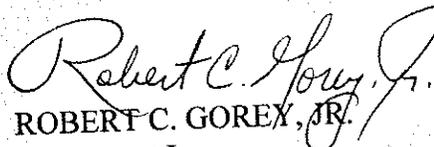
I am of the opinion that:

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.

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

Sincerely,

  
ROBERT C. GOREY, JR.  
Attorney at Law



TAYLOR COUNTY PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 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 2007 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$1,061,000 and bearing interest at a rate of 4.125% per annum (the "Bonds" or the "Series 2007 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 December 6, 2005, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted May 22, 2007, authorizing issuance of the Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The 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 September 15, 2006, in Case No. 06-0271-PWD-CN, 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, has 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 2007 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"), Water Revenue Bonds, Series 2004 A dated July 16, 2004 and issued in the original aggregate principal amount of \$961,000 (the "Series 2004 A Bonds"); and Water Refunding Revenue Bonds, Series 2005 A, dated May 16, 2005, issued in the original aggregate principal amount of \$870,000 (the "Series 2005 A 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 2007 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 an Series 1996 B Bond Resolution

Series 2004 A Bond Resolution

Series 2005 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

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

United States Department of Agriculture Letter of Conditions and Closing Instructions

Evidence of U.S. Environmental Protection Agency Grant

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 5 duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Robert G. Knotts	June 6, 2005	June 5, 2011
James W. Riggleman	June 6, 2003	June 5, 2009
Edward Beavers	June 6, 2003	June 5, 2009
Carol Klepfel	June 6, 2004	June 6, 2007
Paul Shroyer	December 27, 2006	December 26, 2012

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

Chairman	-	Robert G. Knotts
Secretary	-	Edward Beavers
Treasurer	-	James Riggleman

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 \$80,300 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 4.125% per annum is payable from the date of each such advance.

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

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

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

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

12. CONNECTIONS, ETC.: The Issuer will serve at least 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 United States Environmental Protection Agency in the amount of \$899,600 is 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 24th day of May, 2007.

[CORPORATE SEAL]

SIGNATURE

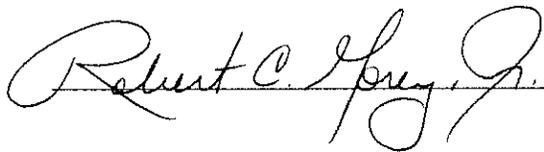
OFFICIAL TITLE



Chairman



Secretary



Attorney for Issuer

888140.00003



TAYLOR COUNTY PUBLIC SERVICE DISTRICT

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

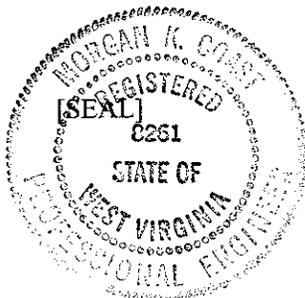
ENGINEER'S CERTIFICATE

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 24th day of May, 2007.



VAUGHN, COAST & VAUGHN, INC.

*Morgan K. Coast*  
Morgan K. Coast, P.E.  
West Virginia License No. 8261

888140.00003



# GARY K. BENNETT

Certified Public Accountant

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

May 24, 2007

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

Taylor County Public Service District  
Grafton, West Virginia

United States Department of Agriculture  
Elkins, West Virginia

Branch Banking & Trust  
Charleston, West Virginia

Ladies and Gentlemen:

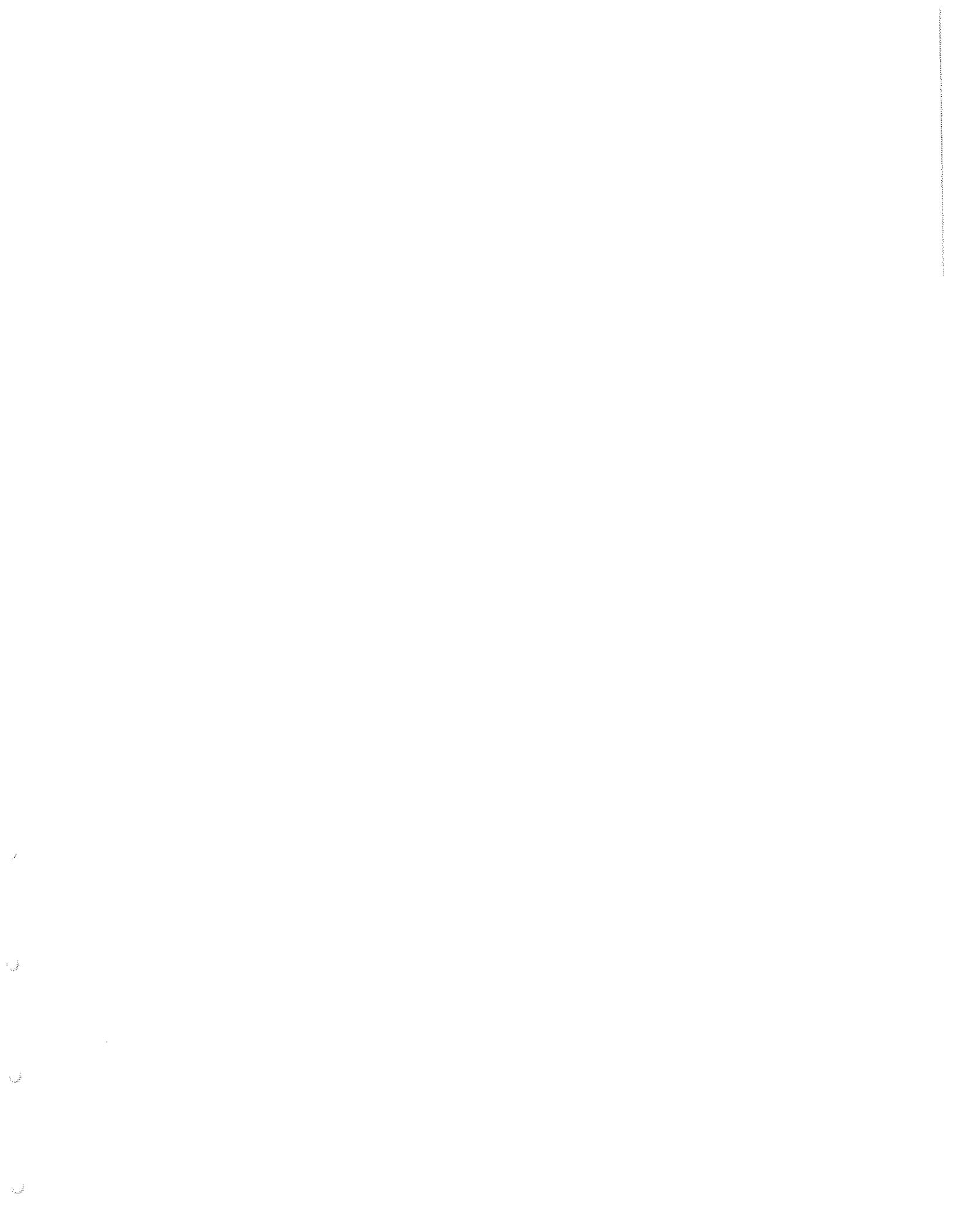
Based upon the water rates and charges set forth in the Recommended Decision of the Public Service Commission of West Virginia in Case No. 06-0271-PWD-CN, entered September 15, 2006, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by Vaughn, Coast & 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 2007 A (United States Department of Agriculture) (the "Bonds"), and sufficient to make the payments into the Prior Bonds Reserve Funds, the Series 2007 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 120% 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 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 Prior Bonds.

Sincerely yours,



Gary K. Bennett  
Certified Public Accountant



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

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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.

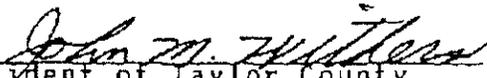
SECTION 2: On the 2nd day of April, 1990, at the hour of 4:00 P.M., this County Commission shall meet in the County Courtroom at the Courthouse at Grafton, West Virginia, for the purpose of conducting a public hearing on the enlargement of the powers of Taylor County Public Service District, at which 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.

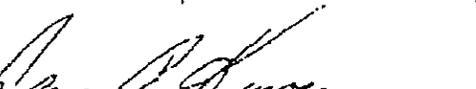
NOTICE OF PUBLIC HEARING ON ENLARGEMENT OF THE POWERS  
OF TAYLOR COUNTY PUBLIC SERVICE DISTRICT

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

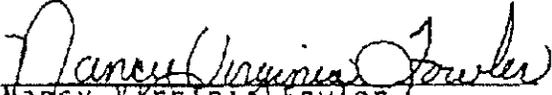
  
\_\_\_\_\_  
Commissioner

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

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 Rigglesman 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.

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 prejudgment 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, Testa:

  
Howard M. Cunningham  
Executive Secretary

## 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 Rigglerman 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 Cavitt, 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	529,412.24

Motion Carried Unanimously.

No further business came before the Commission. Meeting adjourned at 9:30 P.M.

*Nancy Virginia Foster* Clerk

A Copy Taste

*Nancy Virginia Foster* Clerk

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 FWA subject to advise from FWA. 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	701-66-70	+4,000.00
401-56-65	-950.00	712-66-70	4,000.00
457-11 55	+2,750.00		
372	+6,000.00		

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	-7,018.00	460-03	-4,000.00
441-06	-7,018.00	460-04	-11,000.00
456-0E	-4,000.00	460-06	-15,000.00
456-0E	-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	112.31
Ch. Cap. Imp.	307.54
Log Tax	305.79
Coal Severance	1,331.28
TOTAL	\$22,668.06

No further business came before the Commission. Meeting adjourned at

7:30 P.M.

*Nancy Virginia Fowler*, 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 15 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 Courthouse at the Courthouse at Chilton, 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 23, 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 15.

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 4th day of March, 1990.

[Signature]  
President of Taylor County  
Commission

[Signature]  
Commissioner

[Signature]  
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:

[Signature]  
Nancy Virginia Fowler  
Clerk of the County Commission  
of Taylor County, West Virginia

A Copy Taste

[Signature] Clerk

Court Order Book 21, Page 228-A

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

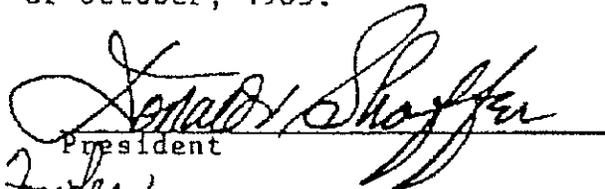
WHEREAS, notice of said hearing was duly given in the manner provided and required by said resolution and order and by said Article 13A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the enlargement of said District 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

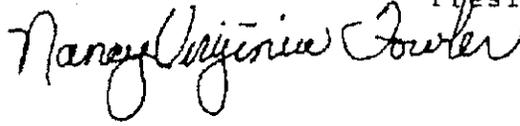
County Commission has given due consideration to all matters for which said hearing was ordered, and

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.

  
President

ATTEST:   
Clerk

A Copy Teste  
 Clerk

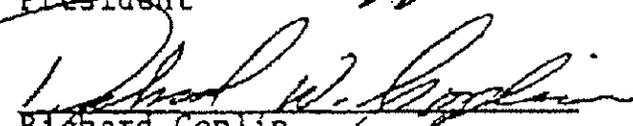
IN THE COUNTY COMMISSION OF TAYLOR COUNTY, WEST VIRGINIA

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 To: Nancy Virginia Foster 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 propose 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 September, 1983, at the hour of 9:00 A.M. this County Commission shall meet in the County Courthouse at the Courthouse at Cofton, 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 10, 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 Cofton, 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 Cofton, 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 Farkle*  
Clerk of the County Commission of Taylor County, West Virginia

*Nancy Virginia Farkle* Clerk

A Copy Tests

*Nancy Virginia Farkle* 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.

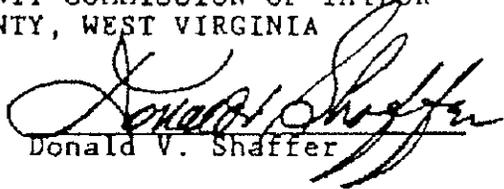
The County Commission then further discussed the enlargement of said district. Whereupon, Donald V. Shaffer introduced and caused to be read a proposed resolution and

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:

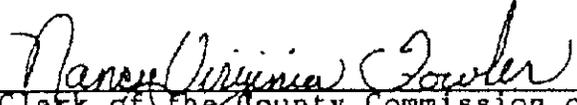
Clerk



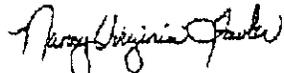
STATE OF WEST VIRGINIA,  
COUNTY OF TAYLOR, TO-WIT:

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 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.

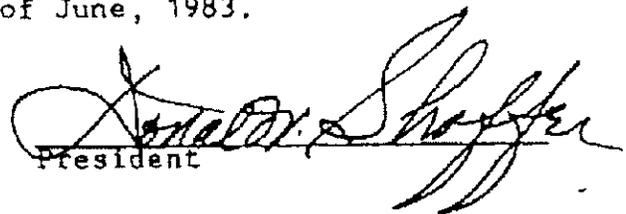
D. The territory described above includes within its limits the territory of other public services districts organized under said Article 13A of Chapter 16, and also includes within its limits the City of Grafton, a municipal corporation, and water associations. However, the City of Grafton plans to 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.

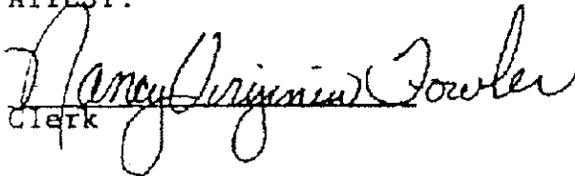
F. The District will not hold itself out to provide any service whatever other than the bulk sale of potable water to such entities desiring to purchase water from the District through master meters under contracts executed by the District and the entities desiring to so purchase water.

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.

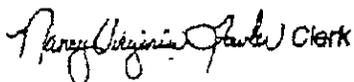
Adopted by the County Commission of Taylor County, West Virginia, this 6th day of June, 1983.

  
President

ATTEST:

  
Clerk

A Copy Teste

 Clerk

Court Order Book 21, Page 209

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*  
Donald V. Shaffer

Its President

ATTEST:

*Nancy Virginia Fowler*  
Clerk

A Copy Teste

*Nancy Virginia Fowler* 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.

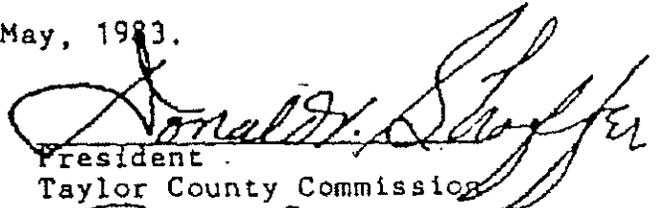
G. The reasons for making the territory of the District the same as the territory of the County of Taylor, excluding the Town of Flemington, are to facilitate financing of the water treatment plant and to enable the County Commission to appoint members to the public service board of the District who 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.

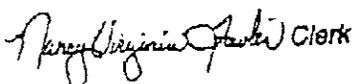
Dated this 12th day of May, 1983.

  
President  
Taylor County Commission

  
Commissioner

  
Commissioner

A Copy Teste

 Clerk



The Taylor County Commission met on December 27, 2006 at 9:30 a.m. Those present were: David Gobel, Tony Veltri, and Robert Weaver.

Sheena Hunt, Region VI, met with the Commission. The three years had expired for the Small Cities Block Grant for the Sheltered Workshop. The Commission needs to consider a change of scope of project to expand the current building facility. This will be considered at the next meeting.

Anna Hayes, Burgess & Niple, met with the Commission. A letter needs to be received from DEP approving Parkview Sewer Project with a check list and also a letter of approval from Small Cities Block Grant. These were new requirements that had not previously been discussed with the Commission. A motion was made by Robert Weaver seconded by Tony Veltri to approve Parkview Sewer Project for Bid subject to receiving the two letters listed above. Motion Carried Unanimously.

The Fire Inspection Report for former Jail/Residence was discussed. Several of the items have been completed. The engineer will be contacted to determine the other items that need to be completed.

A motion was made by Robert Weaver seconded by Tony Veltri to approve up to \$1,000.00 to apply to gas service for one year for HOPE Project that has been reported in the newspaper in need of funding. Motion Carried Unanimously.

Robert Weaver made a motion seconded by Tony Veltri to appoint Paul Shroyer to the Taylor County P.S.D Board. Motion Carried Unanimously.

Robert Weaver made a motion seconded by David Gobel to approve one (1) Hot Water Fan Coil Insert and one (1) Electric Heat Insert from Carrier Corp. In the amount of \$2,192.00 to replace units that presently do not work in Annex. Motion Carried Unanimously.

A motion was made by Tony Veltri seconded by Robert Weaver to approve the resignation of W. Lee Fauley on the Taylor County Development Authority effective December 27, 2006, Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Tony Veltri to approve Delinquent List as submitted by the Sheriff. Motion Carried Unanimously.

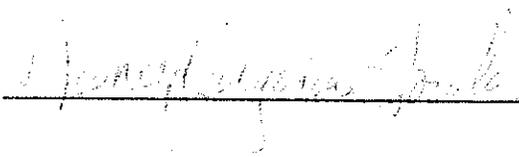
At this time the meeting recessed to pay tribute in a reception for Robert C. Weaver for 12 years of service as a County Commissioner. A motion was made by Tony Veltri seconded by David Gobel to approve a Resolution of Tribute to Robert C. Weaver for service as a Magistrate and County Commissioner in Taylor County. Motion Carried Unanimously. Resolution is recorded at the end of these Minutes.

The meeting reconvened at 3:00 p.m.

Bills were approved as follows: General County \$167,222.01; Dog Tax \$109.81; Home Detention \$1,208.70; Magistrate \$51.71; Worthless Check \$11.75; Sheriff 911 \$174.64.

The Commission will meet on January 8, 2007 at 8:30 a.m.

No further business came before the Commission. Meeting adjourned at 7:30 p.m.

  
Clerk

U U - - -

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 Debole Coombs, 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.

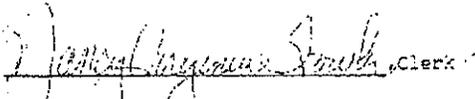
The Taylor County PSD Board advised the Commission that the City of Grafton had appointed Carole Klepfel on the Board and they were concerned about the status of Jim Rigglesman.

Kevin Stead, Mayor Horacek and Larry Ridman 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.

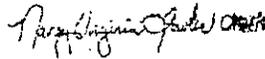
James A. Kinsey made a motion seconded by Robert Weaver to appoint James Rigglesman for the 2 year term (6-5-03) and the 5th member will be appointed by the Commission with both the City Council and County Commission giving consideration to the person to be appointed. Motion Carried Unanimously.

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.

  
Nancy Virginia Foster, Clerk

A Copy To: [unclear]



and request an Internal Audit be done with action deemed necessary as a result of this investigation.

Meeting adjourned at 3:30 P.M.

Nancy Ingram Fowler, Clerk

The Taylor County Commission met on June 23, 2005 at 9:30 A.M. Those present were: Dave Gobel, Robert Weaver & Tony Veltri.

Burgess & Niple engineer and Anna Hayes met with the Commission and discussed Parkview Sewer Project. The Plans had been mailed to the Commission and had been reviewed. The Commission is still in contact with CSX concerning the Right of Way. The PSD will continue to have sludge hauled rather than dispose through the sewage system. Other Engineering concerns were discussed with Kevin Stead, City Manager.

A motion was made by Robert Weaver seconded by Tony Veltri to approve Exonerations as submitted the the Assessor.

Nestor, Robbie D.	Exon. 310.10
White, Jerry Lynn or Japradha	Exon. 476.88
White, Thomas E. & Mary L.	Exon. (953.76) Increase Levy by this Amount.
Davis, Brian D.	Exon. 63.36
Nestor, Robbie D.	Exon. 182.66 (Increase)
Raddish, Mary D.	Exon. 114.24

Motion Carried Unanimously.

Dave Gobel made a motion seconded by Robert Weaver to approve Intergovernmental Agreement for Parkview Sewer Project and authorize President to sign document. Motion Carried Unanimously.

Randy Durrett and deputy sheriff's expressed a concern regarding vacation time owed. The Commission expressed vacation time needs to be scheduled with Sheriff and if no manpower, the state police should be contacted. Home Confinement will continue with the two deputy sheriffs in Taylor County. It will be re-evaluated if number of cases excede what the two deputies can manage. Most of the items discussed should be addressed with the Sheriff rather than the Commission.

Robert Weaver made a motion seconded by Tony Veltri to approve the Delinquent List as submitted by the Sheriff. Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Tony Veltri to pay off building equipment Lease for E911 from E911 funds and remainder from General County. Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Tony Veltri to re-appoint Robert G. Knotts retro-active to June 6, 2005 for a 6 year term to Taylor County PSD. This motion was seconded by Tony Veltri. Motion Carried Unanimously.

The Taylor County Commission signed deed to Quality Machine Company.

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 Riggelman 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. Swisner of Map 11, Parcels 18, 19 and 20 subject to Assessor's review. Motion Carried Unanimously.

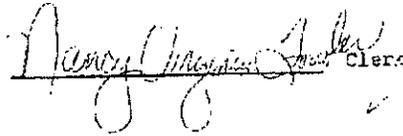
A motion was made by Dave Gobel seconded by Tony Veltri to authorize President to make decision and sign agreements to purchase or lease Indexing System for County Clerk's Office.

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	25,562.83
Dog Tax	184.54
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.

  
Nancy Virginia Foster Clerk

A Copy Testa



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 Efav 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	24,362.79
Dog Tax	62.29
911 Fund	122.05
Coal Severance	3,042.55
TOTAL	\$27,609.81

No further business came before the Commission. Meeting adjourned at 4:10 P.M.

Nancy Virginia Fowler, Clerk

## RESOLUTION

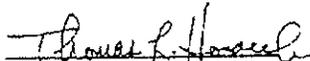
At the regular session of the Council of the City of Grafton, held on the 9<sup>th</sup> day of October, 2001, the following order was made and entered:

**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 9<sup>TH</sup> DAY OF OCTOBER, 2001.**

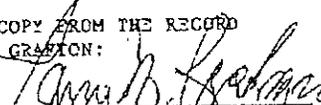
  
Thomas L. Horacek, Mayor

Attest:

  
Larry M. Richman, City Clerk

A TRUE COPY FROM THE RECORD  
CITY OF GRAFTON:

ATTEST:

  
LARRY M. RICEMAN  
CITY CLERK

Page 164

It was noted that the Sheriff's Financial Statement for May had not been filed and County Clerk had not closed out her accounting records.

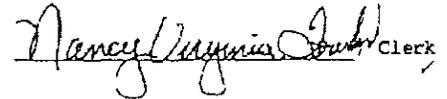
A motion was made by Robert Weaver seconded by Tony Veltri to approve the Delinquent List as submitted by the Sheriff. Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Tony Veltri to approve Janette Jennings as an employee in the County Clerk's Office effective July 1, 2004. Motion Carried Unanimously.

Bills were approved as follows:

General County	28,429.92
Grants Fund	15,000.00
Coal Severance	1,000.00
Dog Tax	438.21
Magistrate	11,359.27
Worthless Check	6,634.73
TOTAL	\$62,862.13

No further business came before the Commission. Meeting adjourned at 12:15 P.M.

 Clerk

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.	Exon. 28.10
Wyckoff, Thomas G. & Holly	Exon. 20.52

Motion Carried Unanimously.

A motion was made by Robert Weaver seconded by Dave Gobel to appoint Rusty Efav 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 Raymond 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.



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

*Paul D. Shroyer*

Subscribed and sworn to before me in said County and State this 30th day of January, ~~19~~ 2007

*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 30th day of January, 2007. 9:40AM

*Nancy Virginia Fowler*, Clerk

Cert. of Oath Bk. 3

Page

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:

J. 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

A Copy .

Nancy Virginia Fowler, Clerk

Copies - 4-5-09

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. Heppel

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

A Copy -  
Nancy Virginia Fowler Clerk

Copies - 6-5-09

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 Jessie Riggelman

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

A Copy -  
Nancy Virginia Fowler

Copies 6-5-2009

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 H. 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



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 Tuesday of each month, at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. 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.



**Taylor County PSD  
Regular Meeting  
Jan. 2, 2007**

The Taylor County PSD held their regular meeting on Jan. 2, 2007. Those present were: Robert G. Knotts, James Riggleman, Ed Beavers & Carole Klepfel.

Neil Densmore, Jr. will be testing meters. Motion made by James Riggleman, seconded by Carole Klepfel to purchase testing equipment. Motion Passed.

New Member announced-Paul Shroyer appointed by the Taylor County Commission.

Morgan Coast discussed plant upgrade. Remind attorney to do final title opinion. 2 weeks before project bid. Report on Newburg project-Projected construction Feb-May, 2008.

Approved payment of bills for Dec.	67,748.65
Less City of Grafton Tran. Fee	18,263.69
Total Dec., 2006 Bills	54,485.06
Income from Water Sales 11-20-06	45,855.64
KWP Reimb. for Taxes	337.80
Total Income other Sources Gall's Refund	79.99
Refund Brickstreet Ins.	774.00
Allegheny Power damage at Hart's Reimb.	491.87
Total Interest Earned Dep. & Maint. Acct. 10-3 to 11-30-06	51.17
Total Income All Sources Dec 2006	47,590.47
Bal. in TC PSD Dep. & Main Dec 31, 2006	63,020.03
Total Income plus or minus Dec., 2006	-6,897.59
Paid City of Grafton Trans. Fee 10-20 to 11-20	12,738.30
Paid BB&T Loan Payment # 20	11,887.86

Carole Klepfel made a motion seconded by Jim Riggleman to install an outside meter at the Tygart Lake Lodge. Back flow preventers will be installed at state expense. Also back flow preventer to be installed by state at frog run.

Carole Klepfel made a motion we elect present officers for the year 2007. Seconded by Jim Riggleman. Motion Carried.

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*over!*

**Taylor Co. PSD  
Regular Meeting  
Jan. 3, 2006**

The Taylor Co. PSD held regular meeting on Jan. 3, 2006 at 1:00 P.M. Those present were Robert Knotts, James Riggleman, Edward Beavers & Carole Klepfel, Morgan Coast, Engineer.

 The Taylor County Board Members for CY 2006 will remain the same: Robert G. Knotts, Chairman, James Riggleman, Treasurer, Edward Beavers, Secretary & Carole Klepfel, City Rep.

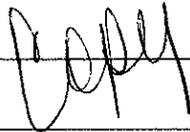
We had a lengthy discussion about water supply if the power goes off. 1. Buy a generator to run the plant when power is off. 2. Talk to Power co. and see if they would run power lines from two directions into water plant. Tony Veltri came to the meeting and picked up some prices we had on generators. The County Commission will look at the information and maybe give us some help in buying a generator.

Jim Riggleman gave the Treasurer's report. Carole Klepfel made a motion to pay all bills seconded by Jim. Motion Carried. Carole made a motion we leave the officers as they are for 2006. Seconded by Jim Riggleman. Motion Carried.

Approved Payment of Bills for Dec., 2005	59,624.19
Less City of Grafton Trans. Fee	5,476.07
Total TCPSD Bills for Dec., 2005	54,148.12
Total Income from Water Sales	
10-20 to 11-20-05	43,923.81
Total Income Knottsville for Taxes	728.14
Interest Earned to 11-3-05	43.78
Received BB&T (Reimb. Req. # 9)	3,307.09
Sam's Membership payment Sandy Shumaker	30.00
Income All Sources for Dec., 2005	48,032.78
Balance TCPSD Maint. Acct.	6,115.34
During Nov. & Dec., 2005 we lost \$11,165.42 more than we took in \$11,166.42.	
BB&T Bank Loan Payment # 8	11,882.86
Paid City of Grafton Trans. 10-20 to 11-25-05	5,357.25

Carole Klepfel made a motion for Jerry Haller to take the truck home from work if he is called out for water break during night. Seconded by Jim Riggleman. Motion Carried.

Adjourned at 5:00 P.M.

  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



TAYLOR COUNTY PUBLIC SERVICE DISTRICT

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

EXCERPT OF MINUTES ON ORGANIZATIONAL MEETING, ADOPTION OF  
BOND RESOLUTION AND  
FIRST DRAW 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 special meeting of the said Public Service Board:

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\*\*\*

The Public Service Board of Taylor County Public Service District met in special session, pursuant to notice duly posted, on the 22nd day of May, 2007, in Grafton, Taylor County, West Virginia, at the hour of 10:00 A.M.

PRESENT:            Robert G. Knotts  
                      James W. Riggleman  
                      Edward Beavers  
                      Carol Klepfel  
                      Paul Shroyer

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 \$1,061,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 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 W. 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.

Next, the Chairman presented First Draw Resolution for consideration and there was discussion. Thereupon, on motion duly made by Carol Klepfel and seconded by Paul Shroyer, it was unanimously ordered that the said First Draw Resolution be adopted and be in full force and effect on and from the date hereof

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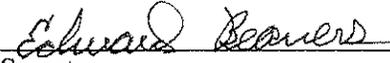
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There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Taylor County Public Service District and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 22nd day of May, 2007.

  
Secretary

888140.00003



Date of Report: May 24, 2007

ISSUE: Taylor County Public Service District Water Revenue Bonds, Series 2007 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: May 24, 2007 CLOSING DATE: May 24, 2007

ISSUE AMOUNT: \$1,061,000 RATE: 4.125 %

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

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

---

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

UNDERWRITERS COUNSEL: \_\_\_\_\_  
 Contact Person: \_\_\_\_\_  
 Phone: \_\_\_\_\_

CLOSING BANK: Branch Banking & Trust  
 Contact Person: Sheila Spino  
 Phone: 304.265.5472

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	Accrued Interest: \$ _____
_____ Check	Capitalized Interest: \$ _____
	Reserve Account: \$ _____
	Other: \$ _____

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REFUNDS & TRANSFERS BY MBC AT CLOSE

By: _____ Wire	To Escrow Trustee: \$ _____
_____ Check	To Issuer: \$ _____
_____ IGT	To Cons. Invest. Fund: \$ _____
	To Other: \$ _____

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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 2007 A Bonds Reserve Account. Payments to the Series 2007 A Bonds Reserve Account will commence within 24 months closing date.

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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.

10.03.06  
888140.00003





United States Department of Agriculture  
Rural Development  
Elkins Area Office

April 26, 2007

Taylor County Public Service District  
Attention: Mr. Robert G. Knotts, Chairman  
P.O. Box 202  
Grafton, WV 26354

Dear Chairman Knotts:

This letter is to provide information relating to the shortened loan term for the USDA Rural Development, Rural Utilities Service (RUS) loan on the upcoming Taylor County PSD Water Plant Improvement Project. Due to the fact that the lease on the water plant property could not be extended past the normal loan term, the RUS loan will have one year of "interest only", and then the monthly payments will be amortized over 35 years. Therefore the total loan term will be 36 years. If we close as planned on May 24, 2007, the interest rate will be 4.125%, and the full monthly payment of principal and interest on the proposed RUS loan of \$1,061,000 will be \$4,786.00.

In my recent phone conversations with Zack Dobbins, a Certified Public Accountant at Gary Bennett's office, we discussed a 36 year payment amortization. Zack said that the 36 year term would be acceptable. I later realized that I needed to drop back to a 35 year amortization in order to be within the remaining term of the property lease. I have enclosed a spreadsheet and a copy of the PSC Cash Flow Analysis that pertains to this project to provide further clarification.

By copy of this letter to the project accountant and the project bond counsel I am requesting that they provide comments or suggestions pertinent to the proposed change in the term of the loan. If you have any questions, please contact our office.

Sincerely,

Joseph D. Crickenberger  
Rural Development Specialist

Enclosure:

CC: Gary K. Bennett's Office  
Project Accountant  
Attention: Zack Dobbins, CPA

John Stump, Esquire  
Steptoe & Johnson, PLLC  
Bond Counsel

---

Randolph Center Building • 1200 Harrison Avenue, Suite 150 • Elkins, West Virginia 26241  
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Washington, DC 20250-9410 or call (800)795-3272(voice) or (202) 720-6382 (TDD).

**Summary of Shortened Loan Amortization Options  
Taylor County PSD - Water Plant Improvement Project  
April 25, 2007**

Annual Payment Based on PSC Cash Flow (roughly 38 yr. 4.25%)	=	\$	56,327.00
Total Available for Debt Service from PSC Cash Flow	=	\$	320,068.00
Total Debt Service Requirements from PSC Cash Flow	=	\$	278,297.00
Total Debt Service Minus Proposed RUS Loan	=	\$	221,970.00

<b>Option 1 - 36 Years</b>			
Total Amount of RUS loan	=	\$	1,061,000.00
Number of Years and months for Amortization of Loan Payments	=		36 years
Amortization Factor at 4.125% for years specified above	=		4.45
Monthly Payment Amount (P & I)	=	\$	4,722.00
Annual Payment Amount (P & I)	=	\$	56,664.00
Increase compared to annual payment on PSC Cash Flow	=	\$	337.00
New Total Debt Service with 36 year loan amortization	=	\$	278,634.00
Debt Service Coverage with this option	=		114.87%

<b>Option 2 - 35 Years 8 months</b>			
Total Amount of RUS loan	=	\$	1,061,000.00
Number of Years and months for Amortization of Loan Payments	=		35 years, 8 months
Amortization Factor at 4.125% for years specified above	=		4.47
Monthly Payment Amount (P & I)	=	\$	4,743.00
Annual Payment Amount (P & I)	=	\$	56,916.00
Increase compared to annual payment on PSC Cash Flow	=	\$	589.00
New Total Debt Service with 35 year 8 month loan amortization	=	\$	278,886.00
Debt Service Coverage with this option	=		114.77%

<b>Option 3 - 35 Years</b>			
Total Amount of RUS loan	=	\$	1,061,000.00
Number of Years and months for Amortization of Loan Payments	=		35 years
Amortization Factor at 4.125% for years specified above	=		4.51
Monthly Payment Amount (P & I)	=	\$	4,786.00
Annual Payment Amount (P & I)	=	\$	57,432.00
Increase compared to annual payment on PSC Cash Flow	=	\$	1,105.00
New Total Debt Service with 35 year loan amortization	=	\$	279,402.00
Debt Service Coverage with this option	=		114.55%

TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
 CASH FLOW ANALYSIS  
 FISCAL YEAR ENDING JUNE 30, 2005

Attachment 1

	<u>Per Books</u> \$	<u>Increase</u> <u>&lt;Decrease&gt;</u>	<u>Staff Recommended</u> <u>and Proforma</u> \$
<b>Available Cash</b>			
Metered Sales	176,829	1,688	178,517
Sales for Resale	606,840	6,818	613,658
Forfeited Discounts	2,557	-	2,557
Interest Income	3,750	-	3,750
<b>Total Available Cash</b>	<u>789,976</u>	<u>8,506</u>	<u>798,482</u>
<b>Cash Requirements</b>			
Operation and Maintenance Expenses	453,970	8,840	462,810
Taxes Other Than Income Taxes	15,298	306	15,604
<b>Total Cash Requirements</b>	<u>469,268</u>	<u>9,146</u>	<u>478,414</u>
<b>Cash Available for Debt Service</b>	(A) <u>320,708</u>	<u>(640)</u>	<u>320,068</u>
<b>Debt Service Requirements</b>			
P&I - 1996 A&B Revenue Bonds	26,400	-	26,400
P&I - 2005 A Revenue Bond	142,655	-	142,655
P&I - 2004 A Revenue Bond	52,915	-	52,915
P&I - Proposed RUS Loan	-	56,327	56,327
<b>Sub-Total</b>	(B) <u>221,970</u>	<u>56,327</u>	<u>278,297</u>
Debt Service Coverage	-	5,633	5,633
Renewal and Replacement Reserve (2.5%)	4,421	15,384	19,804
<b>Total Debt Service Reserve Requirements</b>	<u>4,421</u>	<u>21,016</u>	<u>25,437</u>
<b>Remaining Cash Surplus (Deficit)</b>	94,317		16,334
<b>Debt Service Coverage Factor (A) / (B)</b>		144 %	115 %



United States Department of Agriculture  
Rural Development  
Elkins Area Office

April 26, 2007

Taylor County Public Service District  
Attention: Mr. Robert G. Knotts, Chairman  
P.O. Box 202  
Grafton, WV 26354

Dear Chairman Knotts:

This letter is to confirm that the pre-closing meeting for the USDA Rural Development, Rural Utilities Service (RUS) loan on the upcoming Taylor County PSD Water Plant Improvement Project is planned for May 22, 2007, at 10:00 a.m. The meeting will be held in the Taylor County PSD Office located near the base of the dam for the Tygart Lake. A pre-construction conference will follow at 11:00 a.m. The official loan closing date for the PSD's project will be May 24, 2007. The project attorney should attend the pre-closing meeting, and the project accountant should be available for consultation if needed.

Reference is made to the RUS Letter of Conditions dated December 6, 2005. All of the requirements set forth in this letter must be met and the loan must be closed in accordance with RUS Instruction 1780. Many of the aforementioned items from the Letter of Conditions have already been addressed. Those items remaining to be satisfied prior to loan closing include:

1. The certification on the Loan Resolution will be completed at the pre-closing meeting.

2. The PSD'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 or leased by the PSD. The opinion(s) should be dated May 24, 2007, and they should include legal descriptions (and plats if they are available).
3. The PSD'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 May 24, 2007. It should include an attached list of all of the rights-of-way needed for the project identifying which ones have been obtained and recorded.
4. In accordance with Item 8(c) of the letter of conditions, the PSD's attorney must furnish a narrative opinion addressing all permits, certifications, and other items necessary to show that all legal requirements can be met and stating how they will be met. The narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled. If the PSD was unable to obtain the necessary property rights for any tract or right-of-way, at minimum a "right of entry" must be obtained for all properties before the pre-closing.
5. In accordance with the Legal Services Agreement, the project attorney should be on hand during the pre-construction conference to review construction contracts, and contracting procedure, as well as surety and contractual bonds in connection with the project.
6. No later than the date of the pre-closing meeting, the PSD must provide written evidence that all required insurance coverage and fidelity bond coverage has been obtained in accordance with Item 11 of the Letter of Conditions. We recommend fidelity bond coverage of at least \$300,000 during project construction. If the PSD is covered under the State Board of Risk it provides sufficient coverage, but we will still need proof of that coverage.
7. If a permit from the West Virginia Department of Highways is required, it must be on hand at the closing.
8. All applicable Public Service Commission certificates and/or approvals must be obtained prior to closing, and a copy provided to RUS.
9. The PSD must provide RUS with a current copy of their Workers' Compensation Certificate or other proof of good standing in regards to Workers' Compensation.
10. The Contractors involved in the construction of the project will need to complete Form AD 1048, "Certification Regarding Debarment – Lower Tier Covered Transactions".

11. The first requisition for project funds should be created and submitted for Rural Development review as soon as possible. Once it is approved, the bond counsel will need to know the amount so that the bond can be completed.
12. Please be prepared to have a properly called meeting of the PSD's Board of Directors during the pre-closing process. Also please bring any official seal that the PSD uses for authenticating documents.
13. Nancy Taylor, our Rural Development Technician, is planning to complete a Civil Rights Compliance Review with the PSD at the pre-closing. This is normally in the format of an informal interview to help her gather the information for the review.

In addition to the items listed above, we still have not received the following item: the letter from the PSD accepting the contractor, the inspector résumés, and the letter from the PSD accepting the inspector(s). Please provide these items as soon as possible.

It should be noted that the term of the RUS loan will need to be shortened due to the fact that the lease on the water plant property could not be extended past the normal loan term. The RUS loan will have one year of "interest only", and then the monthly payments will be amortized over 35 years. Therefore the total loan term will be 36 years. If we close as planned, the interest rate will be 4.125%, and the full monthly payment of principal and interest on the proposed RUS loan of \$1,061,000 will be \$4,786.00.

Thank you for doing business with USDA Rural Development. If you have any questions, please contact our office at your earliest convenience.

Sincerely,

Joseph D. Crickenberger  
Rural Development Specialist

CC: State Director  
USDA- Rural Development

John Stump, Esquire ✓  
Steptoe & Johnson, PLLC  
Bond Counsel

Robert C. Gorey, Jr., Esquire  
Local Project Attorney

Morgan Coast, P.E.  
Vaughn, Coast, & Vaughn, Inc.  
Project Engineer

Gary K. Bennett, CPA  
Project Accountant

Bruce Smith  
EPA Region 3  
Philadelphia, PA

Kathleen Rushworth, P.E.  
WV Dept. of Health & Human Resources

Sheena Hunt  
Region 8 Planning & Development Council



United States Department of Agriculture  
Rural Development  
West Virginia State Office

December 6, 2005

Robert G. Knotts, Chairman  
Taylor County Public Service District  
306 Virginia Street  
Grafton, WV 26354

COPY

Dear Mr. Knotts:

This letter, with Attachments 1 through 12 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan 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 \$1,061,000, and other funding in the amount of \$899,600, for a total project cost of \$1,960,600. The other funding is planned in the form of a grant from the Environmental Protection Agency.

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 (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)
- Attachment No. 6 - RUS Supplemental General Conditions (Engineer Copy)
- Attachment No. 7 - RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Project with RUS Financial Assistance"

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Washington, DC 20250-9410 or call (800)795-3272(voice) or (202) 720-6382 (TDD).

- Attachment No. 8 - Government Auditing Standards (Revision 2003) (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 - RUS Policy regarding Use of Remaining Funds
- Attachment No. 12 - Various other RD Forms as identified on Attachment No. 2

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.25% interest rate and a monthly amortization factor of 0.00443, which provides for a monthly payment of \$4,701.00. 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, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at any time it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien of equal priority with the PSD's outstanding water revenue bonds, 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 1780-27 which is mentioned later.
3. Users - This conditional commitment is based upon you providing evidence that there will be at least 485 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of a certification from you that identifies and attests to the number of users that are actually connected to 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 project for construction bids.

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 currently using the system.

The RUS loan commitment is based on the PSD providing service to five large volume users. Evidence must be provided to show those users will actually be connected to the system when it is completed and that the monthly water usage

projected by the engineer for those users is reasonable. In the event any of those users refuse the offered service, the PSD must obtain enough additional revenue (i.e., increase in user rates, sign up of an adequate number of other users, reduction in project scope to reduce debt service and O&M, etc.) to make up the projected income that would be lost by not having those users on the system.

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

The Accountant's Agreement should be submitted to 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 2003)" (Attachment No. 8), and RUS Bulletins 1780-30 1780-31 (Attachment Nos. 9 and 10) outline audit requirements.

You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$500,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

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. The attorney's legal opinion should include a certification that all requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and West Virginia State Code Chapter 54 have been met in the acquisition of both real property and rights-of-way. Such requirements may include, but are not limited to, distributing informational material to all affected property owners, and completing appraisals of the affected properties.
  - e. On the day of loan closing, the PSD's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the PSD has already acquired real property(s) (land or facilities), the PSD's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.
9. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
- West Virginia Department of Highways
  - Railroads
  - State Department of Health
  - Department of Environmental Protection

- Corps of Engineers
- Public Land Corporation

10. Public Service Commission Approvals - You must obtain the following from the West Virginia Public Service Commission:

- a. A Certificate of Convenience and Necessity.
- b. Approval of user charges that are acceptable to you and the Rural Utilities Service.
- c. Approval of financing for the project's proposed financing arrangements.

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. (Next three sentences are only for projects that do not have property insurance through the West Virginia State Board of Risk) During the construction phase of your project, this maximum amount will be much greater than normal; therefore, it is our recommendation that you temporarily increase your coverage to the estimated highest monthly construction drawdown. Once construction is complete, you may decrease the amount of your coverage. Please note that the cost of the temporary increase in coverage is an eligible project cost.

The minimum coverage acceptable to RUS once your project is in operation will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).

- d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
  - (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) EJCDC Document No. 1910-8-A-1-FA, 1997 Edition, "Standard Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. 1910-8-FA, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.

(2) "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance," is enclosed for use by your engineer in the preparation of the contract documents (Attachment No. 7).

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. State Prevailing Wage Law - You should ensure that all requirements of Article 5A of the West Virginia State Prevailing Wage Law, "Wages for Construction of Public Improvements" are met during construction of the project.
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 grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account.

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

The PSD will establish a separate fund, to be known and hereafter referred to as the Construction Account, with a lending institution insured by the Federal Deposit Corporation. The account shall be used solely for the purpose of paying the costs of the project as outlined in the construction budget. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the Construction Account. All deposits in excess of \$100,000 will be secured by a collateral pledge in accordance with 31 CFR 202.

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. Other Project Funds - Prior to advertisement for construction bids, you must provide evidence showing the approval of any other project funds. This evidence should include a copy of the funding award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the other project funds are available for expenditure. This evidence should consist of at least a letter from the funding agency stating the funds are available for expenditure.
16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:
  - Form RD 1940-1 - "Request for Obligation of Funds"
  - 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 RD 1910-11 - "Applicant Certification, Federal Collection Policies"
  - FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
  - Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)
  - Certification of Compliance
  - Form RD 1942-46, "Letter of Intent to Meet Conditions"
17. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan docket. All the items listed must be included

in the loan docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.

18. Upon receipt of the loan 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.

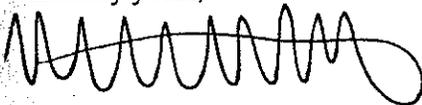
The "RUS Policy Regarding Use of Remaining Funds" is attached for your information and use (Attachment No. 11). This policy should be adhered to when addressing the use of bid underrun funds, as well as any funds remaining after project construction is complete.

After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS loan funds and will be applied as an extra payment toward the loan balance.

If the conditions set forth in this letter are not met within twelve (12) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the twelve-month period and it is determined the 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,



ROBERT M. STEPTOE III  
State Director

Enclosures

cc: Page 9

cc: Rural Development Specialist  
Elkins, WV

Gary K. Bennett, CPA  
317 Cleveland Avenue  
Fairmont, WV 26554

Robert C. Gorey, Jr.  
241 West Main Street  
Grafton, WV 26354

John C. Stump, Esquire  
Steptoe and Johnson  
P.O. Box 1588  
Charleston, WV 25326-1588

Morgan K. Coast, P.E.  
Vaughn, Coast and Vaughn, Inc.  
154 South Marietta Street  
St. Clairsville, OH 43950

Project Construction Budget

<u>PROJECT COST</u>	<u>RUS LOAN</u>	<u>EPA GRANT</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 764,000	\$ 686,000	\$ 1,450,000
CONST. CONTINGENCY	\$ 54,000	\$ 40,000	\$ 94,000
LAND & RIGHTS	\$ 27,000	\$ 23,000	\$ 50,000
LEGAL FEES	\$ 10,000		\$ 10,000
BOND COUNSEL	\$ 16,000		\$ 16,000
ACCOUNTING	\$ 4,000		\$ 4,000
ENGINEERING FEES	\$ 120,000	\$ 102,000	\$ 222,000
Study & Report - \$20,000			
Design - \$105,000			
Inspection - \$85,000			
Subsurface - \$5,000			
Other - \$7,000			
INTEREST - (4.25%, 1 year)	\$ 45,000		\$ 45,000
ADMINISTRATION		\$ 40,000	\$ 40,000
PROJECT CONTG.	\$ 21,000	\$ 8,600	\$ 29,600
<b>TOTAL</b>	<b>\$ 1,061,000</b>	<b>\$ 899,600</b>	<b>\$ 1,960,600</b>

**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
	DUNS Number	1		Applicant		Have	3
	CAIVRS Number	1		RUS		Have	CPAP Form
	Public Notice of Intent to File App.	3	1780.19(a) 1794	Applicant		Have	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		Have	3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		Have	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		Have	2
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant		Have	1
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
	EJCDC No. 1910-1-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		Have

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
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			3
	Processing Conference	1	1780.39(a)	RUS			3
	Environmental Report	2	1794	Applicant		Have	3
	Environmental Assessment	2	1794	RUS/ Engineer		Have	3
Exhibit H S.I. 1794-1	Categorical Exclusion	2	1794	RUS		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		Have	6
	Staff Engineer PER Review	1	1780.33(c)	RUS			3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		Have	8
	Rate Tariff	2	1780.33	Applicant		Have	8
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		Have	3
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3
	Documentation on Service Area	1	1780.11	RUS			3
	Project Selection Criteria	2	1780.17	RUS		Have	1

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant			2
CPAP Form	Project Information	3	1780.41(a)	RUS		Have	1
RD 442-7	Loan Underwriting	3	1780.33(h)	Applicant		Have	3
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/ Applicant			2
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

<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>
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant			5
	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			3
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6
	Corps of Engineers Permit	1	1780.15(d)	Applicant			6
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
	Waiver of Title Defects Letter	1	1780.44(g)	RUS			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
	Evidence of "Other Funds"	1	1780.44(f)	Applicant			2
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
RD 442-10	Appraisal Report	1	1780.44(g)	RUS			8
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			6
	Bid Tabulation	1	1780.61(b)	Engineer			6

<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>
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
	Flood Insurance Policy	1	1780.39(g)	Applicant			7
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5



**RESERVED**



TAYLOR COUNTY PUBLIC SERVICE DISTRICT

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

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of Branch Banking and Trust Company, Grafton, West Virginia (the "Bank"), hereby certify that on May 24, 2007, the Bank received an automated transfer in the amount of \$80,300 to the credit of the Project Construction Account, Account Number 0005271810263 for the Series 2007 A Bonds.

WITNESS my signature on this 24th day of May, 2007.

BRANCH BANKING AND TRUST COMPANY

By:   
Its: Authorized Officer



COPY



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION III  
1650 Arch Street  
Philadelphia, Pennsylvania 19103-2029

JAN 30 2006

CERTIFIED MAIL

Mr. Robert G. Knotts  
Chairman  
Taylor Public Service District  
P.O. Box 202  
Grafton, WV 26354

Re: XP-973346-01-0

Dear Mr. Knotts:

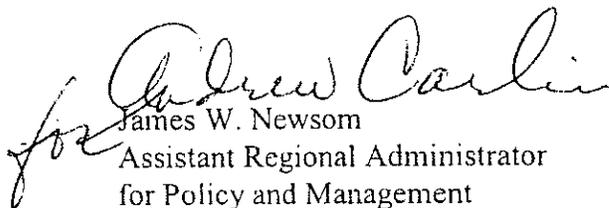
The Agency has approved an assistance application and award of \$899,600 in support of the project entitled Taylor County Waterworks Improvements.

This award is made subject to the terms and conditions of the enclosed assistance agreement. Three originals of the assistance agreement are enclosed. Please sign all of them. Return one to Kathleen M. Blinebury, Grants Management Officer, Grants and Audit Management Branch (3PM70), within twenty-one days of your receipt. The West Virginia Bureau of Public Health is assisting with the management of this project. Mail one to Mr. Patrick Taylor, P.E., Manager, Infrastructure and Capacity Development, West Virginia Bureau for Public Health, One Davis Square, Suite 200, Charleston, WV 25301-1798 and retain one for your organization.

A Region III website is available to provide you with a better understanding of the requirements associated with your assistance agreement and with information that will help you to manage your grant. The website can be found at: [www.epa.gov/region3/grants/index.htm](http://www.epa.gov/region3/grants/index.htm).

Your contact at EPA is Mr. Bruce A. Smith. You can reach Mr. Smith at 215-814-5770.

Sincerely,

  
James W. Newsom  
Assistant Regional Administrator  
for Policy and Management

Enclosures

cc: Patrick Taylor, WVBPH



**U.S. ENVIRONMENTAL PROTECTION AGENCY**

**Grant Agreement**

**ASSISTANCE ID NO.**

PRG	DOC ID	AMEND#
XP -	97334601	- 0

DATE OF AWARD *mj*

**JAN 23 2006**

**TYPE OF ACTION**

New

**MAILING DATE**

**JAN 30 2006**

**PAYMENT METHOD:**

Reimbursement

**ACH#**

**RECIPIENT TYPE:**

Special District

**Send Payment Request to:**

WV Bureau for Public Health

**RECIPIENT:**

Taylor County Public Service District  
PO Box 202  
Grafton, WV 26354  
EIN: 55-0639499

**PAYEE:**

Taylor County Public Service District  
PO Box 202  
Grafton, WV 26354

**PROJECT MANAGER**

Mr. Morgan Coast  
PO Box 202  
Grafton, WV 26354  
E-Mail: morgan@vaughncoastvaughn.com  
Phone: 740-695-7256

**EPA PROJECT OFFICER**

BruceA Smith  
1650 Arch Street, 3WP21  
Philadelphia, PA 19103-2029  
E-Mail: Smith.Brucea@epamail.epa.gov  
Phone: 215-814-5770

**EPA GRANT SPECIALIST**

Jill Garcia  
Grants and Audit Management Branch, 3PM70  
E-Mail: Garcia.Jill@epamail.epa.gov  
Phone: 215-814-5402

**PROJECT TITLE AND DESCRIPTION**

Special Appropriations Project

The grant is for the design and construction of improvements to the District's existing water treatment plant. These improvements include replacement of the sand filter media, control panels, bridge rails, washwater pumps, a new 400,000 gallon chlorine contact tank, and new 4" PVC in-plant water supply main.

**BUDGET PERIOD**

02/01/2006 - 01/31/2008

**PROJECT PERIOD**

02/01/2006 - 01/31/2008

**TOTAL BUDGET PERIOD COST**

\$1,635,636.00

**TOTAL PROJECT PERIOD COST**

\$1,635,636.00

**NOTE:** The Agreement must be completed in duplicate and the Original returned to the appropriate Grants Management Office listed below, within 3 calendar weeks after receipt or within any extension of time as may be granted by EPA. Receipt of a written refusal or failure to return the properly executed document within the prescribed time, may result in the withdrawal of the offer by the Agency. Any change to the Agreement by the Recipient subsequent to the document being signed by the EPA Award Official, which the Award Official determines to materially alter the Agreement, shall void the Agreement.

**OFFER AND ACCEPTANCE**

The United States, acting by and through the U.S. Environmental Protection Agency (EPA), hereby offers Assistance/Amendment to the Taylor County Public Service District for 55.00 % of all approved costs incurred up to and not exceeding \$899,600 for the support of approved budget period effort described in application (including all application modifications) cited in the Project Title and Description above, signed 08/02/2005 included herein by reference.

**ISSUING OFFICE (GRANTS MANAGEMENT OFFICE)**

**ORGANIZATION / ADDRESS**

US EPA Region 3, 3PM70  
1650 Arch Street  
Philadelphia, PA 19103-2029

**AWARD APPROVAL OFFICE**

**ORGANIZATION / ADDRESS**

U.S. EPA, Region 3  
Water Protection Division 3WP00  
1650 Arch Street  
Philadelphia, PA 19103-2029

**THE UNITED STATES OF AMERICA BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY**

**SIGNATURE OF AWARD OFFICIAL**

*James W. Newsom*

**TYPED NAME AND TITLE**

James W. Newsom, ARA for Policy and Management

**DATE**

**JAN 23 2006**

This agreement is subject to applicable U.S. Environmental Protection Agency statutory provisions and assistance regulations. In accepting this award or amendment and any payments made pursuant thereto, (1) the undersigned represents that he is duly authorized to act on behalf of the recipient organization, and (2) the recipient agrees (a) that the award is subject to the applicable provisions of 40 CFR Chapter 1, Subchapter B and of the provisions of this agreement (and all attachments), and (b) that acceptance of any payments constitutes an agreement by the payee that the amounts, if any found by EPA to have been overpaid will be refunded or credited in full to EPA.

**BY AND ON BEHALF OF THE DESIGNATED RECIPIENT ORGANIZATION**

**SIGNATURE**

*Robert G. Knotts*

**TYPED NAME AND TITLE**

Robert G. Knotts

**DATE**

**2-7-06**

## EPA Funding Information

FUNDS	FORMER AWARD	THIS ACTION	AMENDED TOTAL
EPA Amount This Action	\$	\$ 899,600	\$ 899,600
EPA In-Kind Amount	\$	\$	\$ 0
Unexpended Prior Year Balance	\$	\$	\$ 0
Other Federal Funds	\$	\$	\$ 0
Recipient Contribution	\$	\$	\$ 0
State Contribution	\$	\$	\$ 0
Local Contribution	\$	\$ 736,036	\$ 736,036
Other Contribution	\$	\$	\$ 0
Allowable Project Cost	\$ 0	\$ 1,635,636	\$ 1,635,636

Assistance Program (CFDA)	Statutory Authority	Regulatory Authority
66.606 - Surveys - Studies - Investigations and Special Purpose Grants	Consolidated Appropriations Act of 2005 (PL 108-447)	40 CFR PART 31

Fiscal									
Site Name	DCN	FY	Approp. Code	Budget Organization	PRC	Object Class	Site/Project	Cost Organization	Obligation / Deobligation
	LL0023	2006	E4C	0300GQ3	201B51E	4183			899,600
									899,600

<b>Approved Budget</b>	
Program Element Classification (Construction)	Approved Allowable Budget Period Cost
1. Administration Expense	\$0
2. Preliminary Expense	\$0
3. Land Structure, Right Of Way	\$0
4. Architectural Engineering Basic Fees	\$125,000
5. Other Architectural Engineering Fees	\$0
6. Project Inspection Fees	\$60,636
7. Land Development	\$0
8. Relocation Expenses	\$0
9. Relocation Payments to Individuals & Bus.	\$0
10. Demolition and Removal	\$0
11. Construction and Project Improvement	\$1,450,000
12. Equipment	\$0
13. Miscellaneous	\$0
14. Total (Lines 1 thru 13)	\$1,635,636
15. Estimate Income	\$0
16. Net Project Amount (Line 14 minus 15)	\$1,635,636
17. Less: Ineligible Exclusions	\$0
18. Add: Contingencies	\$0
19. Total (Share: Recip 45.00% Fed 55.00%)	\$1,635,636
20. TOTAL APPROVED ASSISTANCE AMOUNT	\$899,600

## Administrative Conditions

1. The recipient agrees to ensure that all conference, meeting, convention, or training space funded in whole or in part with Federal funds, complies with the Hotel and Motel Fire Safety Act of 1990.
2. Any State agency or agency of a political subdivision of a State which is using appropriated Federal funds shall comply with the requirements set forth in Section 6002 of the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. 6962). Regulations issued under RCRA Section 6002 apply to any acquisition of an item where the purchase price exceeds \$10,000 or where the quantity of such items acquired in the course of the preceding fiscal year was \$10,000 or more. RCRA Section 6002 requires that preference be given in procurement programs to the purchase of specific products containing recycled materials identified in guidelines developed by EPA. These guidelines are listed in 40 CFR 247.
3. The recipient shall fully comply with Subpart C of 40 CFR Part 32, entitled "Responsibilities of Participants Regarding Transactions." The recipient is responsible for ensuring that any lower tier covered transaction, as described in Subpart B of 40 CFR Part 32, entitled "Covered Transactions," includes a term or condition requiring compliance with Subpart C. The recipient is responsible for further requiring the inclusion of a similar term or condition in any subsequent lower tier covered transactions. The recipient acknowledges that failing to disclose the information required under 40 CFR 32.335 may result in the delay or negation of this assistance agreement, or pursuance of legal remedies, including suspension and debarment.

The recipient may access the Excluded Parties List System at <http://epls.arnet.gov>. This term and condition supersedes EPA Form 5700-49, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters."

4. The recipient agrees to comply with Title 40 CFR Part 34, New Restrictions on Lobbying. The recipient shall include the language of this provision in award documents for all subawards exceeding \$100,000, and require that subrecipients submit certification and disclosure forms accordingly.

In accordance with the Byrd Anti-Lobbying Amendment, any recipient who makes a prohibited expenditure under Title 40 CFR Part 34 or fails to file the required certification or lobbying forms shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such expenditure.

5. Pursuant to EPA's annual Appropriations Act, the chief executive officer of this recipient agency shall require that no grant funds have been used to engage in lobbying of the Federal Government or in litigation against the United States unless authorized under existing law. As mandated by this Act, the recipient agrees to provide certification to the award official via EPA Form 5700-53, Lobbying and Litigation Certificate, with the final payment request.

The recipient shall abide by its respective OMB Circular (A-21, A-87, or A-122), which prohibits the use of federal grant funds for litigation against the United States. Any Part 30 recipient shall abide by its respective OMB Circular (A-21 or A-122), which prohibits the use of Federal grant funds to participate in various forms of lobbying or other political activities.

6. In accordance with EPA Order 1000.25 and Executive Order 13101, *Greening the Government Through Waste Prevention, Recycling, and Federal Acquisition*, the recipient agrees to use recycled paper for all reports which are prepared as a part of this agreement and delivered to EPA. This requirement does not apply to reports prepared on forms supplied by EPA, or to Standard Forms, which are printed on recycled paper and are available through the General Services Administration. Please note that Section 901 of E.O. 13101, dated September 14, 1998, revoked E.O. 12873, *Federal Acquisition, Recycling, and Waste Prevention* in its entirety.

7. If a contract is awarded under this assistance agreement, the recipient agrees and is required to utilize the following affirmative steps:

- a. placing Small Businesses in Rural Areas (SBRAs) on solicitation lists;

- b. ensuring that SBRAs are solicited whenever they are potential sources;
- c. dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation by SBRAs;
- d. establishing delivery schedules, where the requirements of work will permit, which would encourage participation by SBRAs;
- e. using the services of the Small Business Administration (SBA), the Minority Business Development Agency (MBDA) of the U.S. Department of Commerce and the SBA PRO-Net Internet-based system <http://pro-net.sba.gov>, as appropriate; and
- f. requiring the contractor to take the affirmative steps in subparagraphs a. through e. of this part if subcontracts are awarded.

8. The recipient agrees to comply with the requirements of EPA's Program for Utilization of Small, Minority and Women's Business Enterprises in procurement under assistance agreements:

- a. The recipient accepts the applicable Minority Business Enterprise (MBE)/Women's Business Enterprise (WBE) "fair share" goals/objectives negotiated with EPA by the West Virginia Department of Health and Human Resources as follows:

	<u>MBE%</u>	<u>WBE%</u>
Construction	1.87	7.40
Equipment	1.26	12.19
Services	5.16	26.75
Supplies	2.85	41.65

- b. The recipient agrees to ensure to the fullest extent possible, that at least the applicable "fair share" objectives of Federal funds for prime contracts or subcontracts for supplies, construction, equipment or services are made available to organizations owned or controlled by socially or economically disadvantaged individuals, women and historically black colleges and universities.
- c. The recipient agrees to include in its bid documents the applicable "fair share" objectives and require all of its prime contractors to include in their bid documents for subcontracts the negotiated "fair share" percentages.
- d. The recipient agrees to follow the six affirmative steps or positive efforts stated in 40 CFR 30.44(b), 40 CFR 31.36(e), or 40 CFR 35.6580, as appropriate, and retain records documenting compliance.
- e. The recipient agrees to submit an EPA Form 5700-52A, "MBE/WBE Utilization Under Federal Grants, Cooperative Agreements and Interagency Agreements," beginning with the Federal fiscal year quarter the recipient receives the award and continuing until the project is completed. These reports must be submitted to R. Catherine King, Municipal Financial Assistance Branch (3WP21), within 30 days of the end of the Federal fiscal quarter (January 30, April 30, July 30, and October 30).
- f. If race and/or gender neutral efforts prove inadequate to achieve a "fair share" objective, the recipient agrees to notify EPA in advance of any race and/or gender conscious action it plans to take to more closely achieve the "fair share" objective.

EPA may take corrective action under 40 CFR Parts 30, 31, and 35, as appropriate, if the recipient fails to comply with these terms and conditions.

9. In accordance with OMB Circular A-133, which implements the Single Audit Act, the recipient hereby agrees to obtain a single audit from an independent auditor if it expends \$500,000 or more in total Federal funds in any fiscal year. Within nine months after the end of a recipient's fiscal year or 30 days after receiving the report from the auditor, the recipient shall submit a copy of the report to:

Federal Audit Clearinghouse  
1201 East 10th Street  
Jeffersonville, IN 47132

10. EPA participation in the salary rate (excluding overhead and travel) paid to individual consultants retained by recipients or by a recipient's contractors or subcontractors shall be limited to the maximum daily rate for Level IV of the Executive Schedule, to be adjusted annually. This limit applies to consultation services of designated individuals with specialized skills who are paid at a daily or hourly rate. As of January 1, 2005, the limit is \$539.60 per day and \$67.45 per hour. The rate does not include overhead or travel costs and the recipient may pay these in accordance with its normal travel practices.

Subagreements with firms for services which are awarded using the procurement requirements in 40 CFR Parts 30 or 31, as applicable, are not affected by this limitation unless the terms of the contract provide the recipient with responsibility for the selection, direction, and control of the individuals who will be providing services under the contract at an hourly or daily rate of compensation. See 40 CFR 31.36(j)(2) or 30.27(b), as applicable.

### **Programmatic Conditions**

#### 1. Procurement

a. The recipient agrees to procure all services, supplies, and construction awarded under this grant in accordance with 40 CFR Part 31.

b. A copy of all proposed subagreements for services and supplies over \$100,000 shall be submitted to the West Virginia Bureau for Public Health (WV BPH), for review and pre-award approval, as appropriate, under 40 CFR Part 31. The submittal of the proposed subagreements shall include procurement records. Also, the contract cost and price data shall be submitted on EPA Form 5700-41, or on a form which contains similar information.

c. A copy of all proposed subagreements for construction shall be submitted to the WV BPH, for review and pre-award approval, as appropriate, under 40 CFR Part 31. The submittal of the proposed subagreements shall include procurement records.

#### 2. Grant Payments

The recipient agrees that:

a. Payments are on a reimbursable basis. Requests for payments should be submitted to the WV BPH, using Standard Form 271.

b. Payment for professional services and construction will be limited to the Federal share of EPA approved contracts.

#### 3. Project Performance Certification

Prior to the release of the final payment on the grant, the recipient agrees to provide documentation of all costs such as copies of invoices and proof of payment in the form of copies of checks, and certify that the project is capable of meeting the objectives for which it was planned, designed, and built.

#### 4. Project Changes

For any changes in the project which affect the grant amount, delay or accelerate the project or alter the project in other ways, the recipient must receive a formal grant amendment from EPA. Of particular interest is any change in completion of final design drawings and specifications, date of advertisement for bids, and the building completion date.

#### 5. Land Acquisition

In the event the recipient procures land or relocates people, 49 CFR Part 24 applies.

#### 6. Sites, Easements and Rights-of-Way

The recipient shall submit an acceptable legal opinion that the necessary sites and easements and/or rights-of-way have been obtained and that they are free of any restrictions or encumbrances that might restrict their use for the purpose intended. Said opinion shall be submitted to EPA no later than the time at which the recipient requests approval to award construction contracts.

#### 7. Flood Insurance

The recipient agrees to acquire and maintain at his own cost any flood insurance made available to it under the National Flood Insurance Act of 1968, as amended, before the project is placed in operation. This condition shall not be applicable if, on the date of execution of this Grant Agreement by both parties, flood insurance was not available pursuant to the Flood Insurance Act of 1968, as amended, for property in the project location.

#### 8. Review

The recipient recognizes that approval of any part of this grant, change orders, grant increase amendments, subagreements, any special items or allowableness of any other costs will be subject to final review, including project officer review, audit review, and final determination of the grant approving official.

#### 9. Project Schedule

EPA's policy requires that projects be initiated, constructed, and placed in operation in a timely manner. For that reason, the schedule shown below, which was developed in conjunction with your grant application, is included as a condition.

Complete Design	February 2006
Advertise for Bids	December 2006
Award Construction Contract	February 2007
Initiate Construction	March 2007
Complete Construction	December 2007
Submit Final Payment Request	January 2008.

#### 10. Environmental Review

The recipient agrees not to begin the preparation of plans and specifications (design), or to initiate construction, until such time as EPA determines that the project complies with the National Environmental Policy Act, 42 USC Subsection 4321 et seq., CFR Parts 6 and 1500 et seq.

The recipient agrees that upon completion of the NEPA review, design and construction shall be undertaken in accordance with the results of that review. EPA reserves the right to unilaterally terminate this grant in the event the recipient fails to comply with this condition, in accordance with 40 CFR 31.43.

#### 11. Initiation of Construction

It is agreed that the WV BPH must approve the design before contracts are advertised for bids. Bids will be submitted to the WV BPH for approval prior to contract award.

#### 12. Open Competition and Government Neutrality

The assistance recipient agrees to comply with Executive Order 13202 (February 22, 2001, 66 Fed. Reg. 11225) of February 17, 2001, entitled "Preservation of Open Competition and Government Neutrality Towards Government Contractors' Labor Relations on Federal and Federally Funded Construction Projects," as amended by Executive Order 13208 (April 11, 2001, 66 Fed. Reg. 18717) of April 6, 2001, entitled "Amendment to Executive Order 13202, Preservation of Open Competition and Government

Neutrality Towards Government Contractors' Labor Relations on Federal and Federally Funded Construction Projects."

13. Performance Reports

In accordance with 40 C.F.R. § 31.40, the recipient agrees to submit performance reports that include brief information on each of the following areas; 1) a comparison of actual accomplishments to the outputs/outcomes established in the assistance agreement work plan for the period; 2) the reasons for slippage if established outputs/outcomes were not met; and 3) additional pertinent information, including, when appropriate, analysis and information of cost overruns or high unit costs.

In accordance with 40 C.F.R. § 31.40 (d), the recipient agrees to inform EPA as soon as problems, delays or adverse conditions become known which will materially impair the ability to meet the outputs/outcomes specified in the assistance agreement work plan.

14. Outputs and Outcomes

EPA Order 5700.7, Environmental Results under EPA Assistance Agreements, requires that the award of grant assistance is tied to the accomplishment of agreed-upon products/activities and the effect of those products/activities, referred to as environmental "outputs" and "outcomes." The outputs and outcomes must be measurable and identified in the application work plan. The award of grant assistance constitutes EPA agreement with the outputs and outcomes identified in the application work plan.

EPA Order 5700.7 further requires that following the award of grant assistance, grant recipients must report on their progress in achieving the accepted environmental outputs and outcomes. The preceding Performance Reporting condition highlights this obligation.

Pursuant to EPA regulation 40 CFR 31.40(c), *Construction performance reports*, for the purpose of this grant award the recipient may satisfy the above Performance Reporting obligation by providing information on the interim status or completion of the project to the WV BPH during the course of interim and final project inspections.



06-0271-PWD-CN

PSWD#: WV3304605

# State of West Virginia

## OFFICE OF ENVIRONMENTAL HEALTH SERVICES

1000 MARKET STREETS 1 DAVIS SQUARE, SUITE 200 CHARLESTON, WEST VIRGINIA 25301  
TELEPHONE 304-558-2981

### PERMIT

PROJECT: (Water) Water Treatment Plant Improvements PERMIT NO.: 17,305  
LOCATION: Grafton COUNTY: Taylor DATE: 11-3-2006

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

**Taylor County Public Service District  
P. O. Box 202  
Grafton, West Virginia 26354**

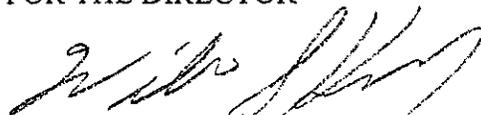
is hereby granted approval to: make improvements to the existing 5.0 MGD Taylor County Public Service Water Treatment Plant. Major improvements will consist of the replacement of the existing filter underdrains, media and traveling bridge filter equipment; the addition of a new 416,000 gallon baffled two-cell clearwell; the replacement of 330 LF of existing 3" DI water treatment plant water main with 4" PVC water main; the installation of a bridge over the existing sludge lagoon to facilitate access to assist with sludge removal; some renovations and painting in the existing filter room, and some minor incidental work.

**Note: This permit is contingent upon the proposed underground clearwell access manholes and venting being enclosed by a minimum six (6) feet high fence and the provisions in place to prevent vehicles from driving across or parking on top of the clearwell.**

The Environmental Engineering Division of the **Philippi OEHS District Office** (304) 457-2296, is to be notified when construction begins.

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

FOR THE DIRECTOR



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

RECEIVED  
NOV 15 3 15 PM '06  
WV BUREAU OF PUBLIC SERVICE

WSH:emt

pc: Vaughn, Coast & Vaughn, Inc.  
James W. Ellars, P.E., Engineering Division-PSC  
Amy Swann, PSC  
Taylor County Health Department  
OEHS-EED Philippi District Office

RECEIVED



200-352

CITY OF GRAFTON  
A municipal corporation

to // LEASE

TAYLOR COUNTY PUBLIC SERVICE DISTRICT  
A Public Body Corporate

4-10-04 Del'd to: Nancy Virginia Fowler

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200-354

THIS LEASE, made and entered into at Grafton, Taylor County, West Virginia, on February 22, 1984, by and between the City of Grafton, a municipal corporation, hereinafter referred to as the "Lessor", and the Taylor County Public Service District, a public body corporate, hereinafter referred to as the "Lessee".

The Lessor and the Lessee, for and in consideration of the keeping by the parties of their respective obligations hereinafter contained, as well as for One Dollar (\$1.00) and other valuable considerations paid in hand simultaneously with the execution and delivery of this lease, receipt whereof is hereby acknowledged, agree as follows:

Article I.

Demised premises.

Lessors demise. Upon the terms and conditions hereinafter set forth, and in consideration of the payment by the Lessee to Lessor as hereinafter set forth, and in consideration of the prompt performance continuously by the Lessee of each and every of the covenants and agreements hereinafter contained, to be kept and performed by the Lessee, the performance of each and every one of which is declared to be an intrigal part of the consideration to be furnished by the Lessee, the Lessor does lease, let and demise to the Lessee and the Lessee does hereby lease of, and from the Lessor, the following described premises situate, lying and being in Taylor County, West Virginia:

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A tract of land situated along the east bank of the Tygart River at the base of the Tygart River Dam in the District of Knottsville, County of Taylor, State of West Virginia, and being more particularly described as follows:

Beginning at a U.S. Army, Corps of Engineers, monument known as #R-3/4-A-F located on the east side of Old County Route #44 common corner of the United States of America, Tygart Dam Project, Parcel No. 3/4R and the southeast corner of lands of J. M. Shaw (D.B. 90, pg. 211); thence from said point of beginning and running with the lands of the United States of America S.  $13^{\circ} 49' 52.2''$  W. 121.45 feet to a point; thence making new division lines with the grantor herein N.  $75^{\circ} 20' 16''$  W. 266.84 feet to a point; thence N.  $14^{\circ} 39' 44''$  E. 387.71 feet to a point; thence S.  $66^{\circ} 39' 14''$  E. 47.42 feet to a railroad spike in the centerline of an existing roadway; thence S.  $66^{\circ} 39' 14''$  E. 73.61 feet to a 2.8 feet diameter Bur Oak; thence S.  $66^{\circ} 39' 14''$  E. 88.46 feet to the centerline of West Virginia County Route #44; thence with said centerline and lands of J. M. Shaw (D.B. 90, pg. 211), S.  $24^{\circ} 31' 51''$  W. 32.0 feet to a point; thence S.  $9^{\circ} 25' 01''$  W. 204.0 feet to a point at the southwest corner of said Shaw property; thence with the south line of said Shaw, S.  $75^{\circ} 22'$  E. 44.83 feet to the place of beginning, containing 1.948 acres, more or less, as surveyed in August 1983 by Cerrone & Vaughn, Inc., Engineers of Wheeling, West Virginia, and as shown on a plat attached

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hereto and made a part of this description, together with a 30 foot wide permanent vehicular access right of way, the centerline of which is described as follows:

Beginning at a railroad spike in the centerline of an existing roadway and on the north line of the 4.561 acre site shown on said plat and located N. 66° 39' 14" W. 162.07 feet from the northeast corner of said site; thence from said point of beginning, and running with the centerline of said existing roadway, the following 9 courses, N. 29° 36' 31" E. 202.57 feet to a point; thence N. 38° 03' 03" E. 387.32 feet to a point; thence N. 81° 18' 58" E. 99.78 feet to a point; thence S. 50° 46' 18" E. 102.55 feet to a point; thence S. 83° 36' 38" E. 81.75 feet to a point; thence S. 42° 38' 56" E. 97.29 feet to a point; thence S. 58° 16' 57" E. 64.40 feet to a point; thence S. 77° 21' 55" E. 70.59 feet to a point; thence S. 80° 18' 07" E. 65.82 feet to a point in the centerline of West Virginia County Route #44.

#### Article II.

##### Term

To have and to hold the demised premises for a term of sixty years commencing February 22, 1984, and ending February 21, 2044.

#### Article III.

##### Rent

1. Total Rentals. The rent which the Lessee

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agrees to pay to the Lessor shall be in the amount of \$125,000.00, which shall be payable as follows: \$100,000.00 upon repair of the Lessor's water distribution system in accordance with Paragraph "2" of this Article and \$25,000.00 for payment of covers to the lessor's water storage tanks which also shall be in accordance with Paragraph "2" of this Article.

2. Restrictions on rentals: \$100,000.00 of the aforesaid rental amount shall be used for the express and sole purpose of repairing the Lessor's water distribution system. Any repairs to the Lessor's water distribution system must be based upon recommendations from Cerrone & Vaughn, Inc., Engineers of Wheeling, West Virginia. Prior to any payment for any repair or renovation, an inspection of the completed work shall be conducted by the Lessor, the Lessee, Cerrone & Vaughn, Inc., and Farmers Home Administration. No inspection fees or engineering reports shall be paid out of said rental amounts. All work provided for herein and all payments therefore shall be accomplished and made on or before the water treatment plant to be constructed by the lessee goes into operation. The remaining amount of \$25,000.00 shall be used to pay for water tank covers which have previously been installed on water tanks situate within the City of Grafton. The funds shall be paid directly to the contractor or to the governmental agency which has paid said amount.

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## Article IV

## Payment of Taxes

Lessee's Obligations. The lessee covenants and agrees with the lessor to pay all taxes and assessments in connection with the leased premises.

## Article V

## Indemnification of Lessor against Liability

1. Indemnification by Lessee. The Lessee covenants and agrees with Lessor that during the entire term of the lease, the Lessee will indemnify and save harmless the Lessor against any and all claims, debts, demands or obligations which may be made against the Lessor or against the Lessor's title in the premises arising by reason of or in connection with any alleged act or omission of the Lessee or any person claiming under by or through the Lessee.

2. Insurance. From the time when the Lessee commences construction on the demised premises or any part thereof, or from and after any earlier date when the Lessee makes actual use of, and occupies the demised premises or any parts thereof, the Lessee will cause to be written a policy or policies of insurance in the form generally known as "public liability" insuring the Lessee against any and all claims and demands made by any person or persons or whomsoever for injuries received in connection with the operation and maintenance of the premises, improvements and buildings located on the demised premises, or for any other risk insured against by such policies, each class of which policies shall have been written within limits of not less

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than \$500,000.00 for damages incurred or claimed by any one person or persons for bodily injury, or otherwise, plus \$200,000.00 for damages to property.

#### Article VI

##### Fire and Wind Damage Insurance

**Lessee Obligation.** The Lessee covenants and agrees with Lessor that from and after the time when the lease commences, the Lessee shall keep insured any and all buildings and improvements upon the said premises against all loss or damage by fire and windstorm, and what is generally termed in the insurance trade as "extended coverage". Policy copies shall be furnished to Lessor.

#### Article VII

**Assignment.** This lease shall not be assigned or sublet without the express written agreement between the parties and with the written consent of Farmers Home Administration and the holders of 51 per cent of any then outstanding revenue bonds or the holders of other obligations of the District.

#### Article VIII

**Default.** It is covenanted and agreed by and between the parties hereto that a failure to comply with any of the terms contained herein shall not operate as a termination of this lease, but instead any breach of any of the terms and conditions of this lease which have not been corrected within a period of six months after first receiving written notice from the other party shall

200-340

constitute grounds for any state governmental body having authority and supervision of the production of water or a Court of competent jurisdiction to order compliance with the breached condition or conditions.

#### Article IX

##### Lessor's Right of Entry

The Lessor and his agents shall have the right to enter upon the premises after having first given three days notice to examine the condition and use thereof, provided only that such right shall be exercised in such manner as not to interfere with the Lessee in the conduct of the Lessee's business on such premises.

#### Article X

##### Miscellaneous

1. Consent not to be unreasonably withheld. Whenever the Lessee requests any consent, permission or approval which may be required or desired by the Lessee pursuant to the provisions hereof, the Lessor shall not unreasonably withhold or postpone the grant of such consent, permission or approval. If the Lessee requests such consent, permission or approval and the Lessor does not notify the Lessee of its express disapproval thereof within forty-five days after the receipt of such request setting forth its reasons therefore, such consent, permission or approval shall be deemed to have been granted.

2. Written modifications. That no modification, release, discharge or any waiver of provisions hereof shall

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be of any force, effect, or value unless in writing signed by the Lessor, the Lessee, and the holders of any outstanding revenue bonds.

3. Entire agreement. That this instrument contains the entire agreement between the parties as of this date and that the execution hereof has not been induced by either party by representations, promises, or understandings not expressed herein.

4. Notices. That when either party desires to give notice to the other in connection with, and according to the terms of this lease, such notice shall be given by registered mail and it shall be deemed given when it shall have been deposited in the United States Registered Mails with sufficient postage prepaid thereon to carry it to its addressed destination, and such notices shall be addressed as follows:

For the Lessor - City of Grafton, City Building,  
Grafton, West Virginia 26354

For the Lessee - Taylor County Public Service  
District, c/o Taylor County Clerk, Courthouse, Main Street,  
Grafton, West Virginia 26354.

Nothing herein contained shall be construed as prohibiting the parties respectively from changing the place at which notice is thenceforth to be given, but no such change shall be effective unless, and until it shall have been accomplished by written notice given in the manner set forth in this section.

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5. Contingency. This lease is contingent upon the lessee procuring the necessary funds to build a water treatment plant. In the event funding for the same cannot be secured, then this lease shall terminate and all obligations herein set forth shall become null and void.

IN WITNESS WHEREOF, the Lessor and Lessee have hereunto set their hands and seals the day and year above written.

LESSOR: CITY OF GRAFTON

By Peggy Poe  
Its Mayor

ATTEST:

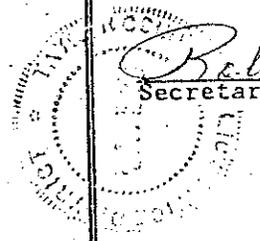
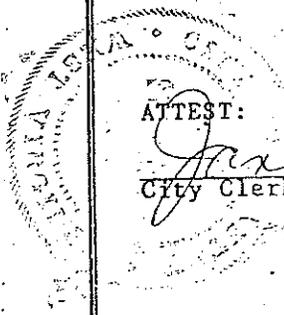
Janice Lewis  
City Clerk

LESSEE: TAYLOR COUNTY PUBLIC SERVICE DISTRICT

By Tommy J. Voth  
Its Chairman

ATTEST:

Robert D. Lantz  
Secretary



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

I, Alan Dale Moats, a notary public in and for the said County and State do hereby certify that The City of Grafton by Its Mayor, Peggy Poe, who signed the above writing bearing date of the 22nd day of February, 1984, has this day acknowledged the said writing to be the act and deed of said City of Grafton.

Given under my hand this 22nd day of February, 1984.

Alan Dale Moats  
Notary Public

My commission expires: July 22 1987

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

I, Alan Dale Moats, a notary public in and for the said County and State do hereby certify that the Taylor County Public Service District by Its Chairman, Tony J. Veltri, who signed the above writing bearing date of the 22nd day of February, 1984, has this day acknowledged the said writing to be the act and deed of said Taylor County Public Service District.

Given under my hand this 22nd day of February, 1984.

Alan Dale Moats  
Notary Public

My commission expires: July 22 1987

This instrument was prepared by Waters and Moats,  
Attorneys at Law, Grafton, WV 26354

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 thereto annexed, was this day produced to me in my said office and was admitted to record therein.

Given under my hand this 5th day of April, 1984.

3:39 PM

Nancy Virginia Fowler, Clerk  
A Copy  
Nancy Virginia Fowler, Clerk

200-364

CITY OF GRAFTON  
A municipal corporation

GRAFTON WATER BOARD

to // AGREEMENT

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

4-16-04 Del'd to: Nancy Williams

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THIS AGREEMENT, made effective this 22nd day of February, 1984, by and between the City of Grafton, a municipal corporation, and the Grafton Water Board, hereinafter collectively referred to as the "City", and the Taylor County Public Service District, hereinafter called the "District".

WHEREAS, by lease of even date herewith, the City of Grafton has leased to the District a certain parcel of real estate situate in Knottsville District, Taylor County, West Virginia, which said property is to be the site of a water filtration plant to be constructed by the District, and

WHEREAS, at the time that the water filtration plant to be built and operated by the District goes into operation, the City will cease producing potable water, and desires to contract with the District to operate and maintain the facilities and equipment now used by the City in connection with its water treatment plant at said time, and

WHEREAS, the District desires to contract with the City to operate and maintain the City's equipment now being utilized in the City's water treatment plant, and desires to do so through an operating agreement.

NOW, THEREFORE WITNESSETH: That the City and the District for and in consideration of the keeping by the parties of their respective obligations, hereinafter

200-367

contained, as well as for One Dollar (\$1.00) and other valuable considerations paid simultaneously, from one to the other, with the execution and delivery of this agreement, receipt whereof is hereby acknowledged, agree as follows:

#### Article I

##### Equipment and Premises to be Operated and Maintained

1. City's Agreement. Upon the terms and conditions hereinafter set forth and in consideration of the prompt performance continuously by the District of each and every of the covenants and agreements hereinafter contained to be kept and performed by the District, the parties do hereby agree that the District shall have the exclusive charge, control and supervision, and shall operate and maintain those certain facilities utilized by the City in its current water treatment facilities at such time as the City ceases production of water. The City does hereby give and grant unto the District, all necessary rights of way and easements across City owned real estate or across easements previously obtained by the City for the purpose of operating and maintaining the said facilities. The facilities and equipment to be operated and maintained by the District shall include, but not be limited to the intake line leading from the Tygart Dam to the water filtration plant currently operated by the City, the flocculation and chemical room, settling basins and clearwell all as currently located, the pumping station as currently located, the water lines leading from the pumping station to the storage tank located on the hill above the Tygart Dam and the water lines leading from the clearwell to the City's master meter located in the existing water pumping plant.

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2. Conditions. The agreement is likewise made subject to the following:

A. Conditions, restrictions, and limitations, if any, there be now appearing of record.

B. Zoning ordinances of any governmental body now existing or which may hereafter exist by reason of any legal authority during the life of this contract.

C. Any questions of survey, the District having satisfied itself as to the boundary lines and contents of the facilities to be operated being within the boundaries of the property owned by the City.

D. The proper performance by the District of all the terms and conditions contained in this agreement.

#### Article II

##### Term

The term of this agreement shall be for a period of sixty (60) years commencing February 22, 1984 and ending February 21, 2044. Provided however, that the District shall not begin operating and maintaining the afore-described facilities until such time as the water treatment plant to be built by the District is ready for operation and the City ceases production of water.

#### Article III

##### Consideration

By lease of even date herewith the City has leased to the District certain real estate to be used by the District as the site for a water filtration plant, and said lease, together with the City's cooperation with the

200-369

District in constructing said plant shall constitute the consideration for this agreement.

#### Article IV

##### Payment of Taxes

District's Obligations. The District covenants and agrees with the City to pay all taxes and assessments in connection with the afore-described premises.

#### Article V

##### Indemnification by District Against Liability

1. Indemnification by District. The District covenants and agrees with City that during the entire term of the agreement, the District will indemnify and save harmless the City against any and all claims, debts, demands or obligations which may be made against the City or against the City's title in the premises arising by reason of or in connection with any alleged act or omission of the District or any person claiming under by or through the District.

2. Insurance. From the time when the District commences construction on the demised premises or any part thereof, or from and after any earlier date when the District makes actual use of, and occupies the demised premises or any parts thereof, the District will cause to be written a policy or policies of insurance in the form generally known as "public liability" insuring the District against any and all claims and demands made by any person or persons or whomsoever for injuries received in connection with the operation and maintenance of the premises, improvements and buildings located on the demised premises,

200-370

or for any other risk insured against by such policies, each class of which policies shall have been written within limits of not less than \$500,000.00 for damages incurred or claimed by any one person or persons for bodily injury, or otherwise, plus \$200,000.00 for damages to property.

#### Article VI

##### Fire and Wind Damage Insurance

1. District's Obligation. The District covenants and agrees with City that from and after the time when the District begins operating the facilities set forth in this agreement, the District shall keep insured any and all buildings and improvements and equipment and facilities as afore-described against all loss or damage by fire and windstorm, and what is generally termed in the insurance trade as "extended coverage", and all of such policies of insurance shall include the name of the City as one the parties insured thereby as well as the mortgagee and shall fully protect both the City and the District as their respective interests may appear. In the event of destruction or damage of the said buildings or improvements by fire, windstorm or other casualty for which insurance shall be payable and as often as said insurance money shall have been paid to the City and the District and the mortgagee, said sums so paid shall be deposited in an account in the name of the District (and mortgagee if applicable), in a bank located in Taylor County, West Virginia, or a bank designated by the mortgagee and said sums in said account shall be made available to District for

200-371

the construction or repair as the case may be, of any building or buildings or equipment or facility damaged or destroyed by fire, windstorm or other casualty for which insurance money shall be payable, and shall be paid out by the District from said account from time to time on the estimate of a reliable engineer licensed in the State of West Virginia, having jurisdiction of such reconstruction and repair, certifying that the amount of such estimate is being applied to the payment of the reconstruction or repair, and at a reasonable cost therefor, and upon approval by the mortgagee, if applicable.

2. Damages, Insurance Proceeds, Bank Account. It is agreed that any excess of money received from insurance remaining in the bank account after the reconstruction or repair of such building or buildings shall be the property of the District. Copies of all policies shall be furnished Lessor.

#### Article VII

Assignment. This agreement shall not be assigned without the express written agreement between the parties and with the written consent of Farmers Home Administration and the holders of 51 per cent of any then outstanding revenue bonds or the holders of other obligations of the District.

#### Article VIII

Default. It is covenanted and agreed by and between the parties hereto that a failure to comply with any of the terms contained herein shall not operate as a termination of this agreement, but instead any breach of any

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of the terms and conditions of this agreement which have not been corrected within a period of six months after first receiving written notice from the other party shall constitute grounds for any state governmental body having authority and supervision of the production of water or a Court of competent jurisdiction to order compliance with the breached condition or conditions.

#### Article IX

##### Lessors Right of Entry

The Lessor and his agents shall have the right to enter upon the premises after having first given three days notice to examine the condition and use thereof, provided only that such right shall be exercised in such manner as not to interfere with the Lessee in the conduct of the Lessee's business on such premises.

#### Article X

##### Miscellaneous

1. Consent not to be unreasonably withheld. Whenever the District requests any consent, permission or approval which may be required or desired by the District pursuant to the provisions hereof, the City shall not unreasonably withhold or postpone the grant of such consent, permission or approval. If the District requests such consent, permission or approval and the City does not notify the District of its express disapproval thereof within forty-five days after the receipt of such request setting forth its reasons therefore, such consent, permission or approval shall be deemed to have been granted.

2. Written modifications. No modification,

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release, discharge or any waiver of provisions hereof shall be of any force, effect, or value unless in writing signed by the City and District or their duly authorized agents or attorneys.

3. Entire agreement. That this instrument contains the entire agreement between the parties as of this date and that the execution hereof has not been induced by either party by representations, promises, or understandings not expressed herein.

4. Notices. That when either party desires to give notice to the other in connection with, and according to the terms of this agreement, such notice shall be given by registered mail and it shall be deemed given when it shall have been deposited in the United States Registered Mails with sufficient postage prepaid thereon to carry it to its addressed destination, and such notices shall be addressed as follows:

For the City - City of Grafton, City Building,  
Grafton, West Virginia 26354

For the District - Taylor County Public Service  
District, c/o Taylor County Clerk, Courthouse, Main Street,  
Grafton, West Virginia 26354.

Nothing herein contained shall be construed as prohibiting the parties respectively from changing the place at which notice is thenceforth to be given, but no such change shall be effective unless, and until it shall have been accomplished by written notice given in the manner set forth in this section.

5. Contingency. This agreement is contingent

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upon the District procuring the necessary funds to build a water treatment plant. In the event funding for the same cannot be secured, then this agreement shall terminate and all obligations herein set forth shall become null and void.

IN WITNESS WHEREOF, the City and District have hereunto set their hands and seals the day and year above written.

CITY OF GRAFTON

By Laggy Lee  
Its Mayor

ATTEST:

Janice Lewis  
City Clerk

GRAFTON WATER BOARD

By Marjorie Gerkin  
Its Chairman

ATTEST:

William R. Sapp  
Secretary

TAYLOR COUNTY PUBLIC SERVICE DISTRICT

By Joseph J. Veltin  
Its Chairman

ATTEST:

Robert D. Luttig  
Secretary

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

I, Alan Dale Morte, a notary public in and for the said County and State do hereby certify that The City of Grafton by Its Mayor, Peggy Poe, who signed the above writing bearing date of the 22nd day of February, 1984, has this day acknowledged the said writing to be the act and deed of said City of Grafton.

Given under my hand this 22nd day of February, 1984.

Alan Dale Morte  
Notary Public

My commission expires: July 22 1987

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

I, Alan Dale Morte, a notary public in and for the said County and State do hereby certify that the Grafton Water Board by Its Chairman, Marjorie Gerkin, who signed the above writing bearing date of the 22nd day of February, 1984, has this day acknowledged the said writing to be the act and deed of said Grafton Water Board.

Given under my hand this 22nd day of February, 1984.

Alan Dale Morte  
Notary Public

My commission expires: July 22 1987

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

I, Alan Dale Moats, a notary public in and for the said County and State do hereby certify that the Taylor County Public Service District by Its Chairman, Tony J. Veltri, who signed the above writing bearing date of the 22nd day of February, 1984, has this day acknowledged the said writing to be the act and deed of said Taylor County Public Service District.

Given under my hand this 22nd day of February, 1984.

Alan Dale Moats  
Notary Public

My commission expires: July 22 1987

This instrument was prepared by Waters and Moats  
Attorneys at Law, Grafton, West Virginia

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 thereto annexed, was this day produced to me in my said office and was admitted to record therein.

Given under my hand this 5th day of April, 1984.

3:39 PM

Nancy Virginia Fowler, Clerk

A Copy

Nancy Virginia Fowler Clerk