

JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

340-1318

618 MONONGAHELA BUILDING
P. O. BOX 619
MORGANTOWN, WEST VIRGINIA 26507
TELEPHONE 304-292-7311

13 SOUTH HIGH STREET
P. O. BOX 619
MORGANTOWN, WEST VIRGINIA 26507
TELEPHONE 304-296-1006

175 EAST MAIN STREET
P. O. BOX 2150
LEXINGTON, KENTUCKY 40595
TELEPHONE 606-255-9500

SUITE 101
202 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601
TELEPHONE 502-227-4000

August 8, 1989

VIA HAND DELIVERY

Mr. Witter Hallan
Municipal Bond Commission
Building 3, Suite 337
State Capitol Complex
Charleston, West Virginia 25305

Re: \$300,000 Warm Springs Public Service
District Sewer Revenue Bond, Series 1989

Dear Mr. Hallan:

Enclosed is the Municipal Bond Commission's New Issue Report Form and Transcript of Closing Documents for the above-referenced bond issue.

If you have any questions regarding the enclosed Transcript, please give me a call.

Very truly yours,



Samme L. Gee

SLG/tp
Enclosure

RECEIVED
AUG 8 1989
MBC

WARM SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1989

Closing: August 3, 1989

WARM SPRINGS PUBLIC SERVICE DISTRICT
Sewer Revenue Bond, Series 1989

Closing: August 3, 1989

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The closing of the purchase of \$300,000 in aggregate principal amount of Sewer Revenue Bond, Series 1989, dated as of August 3, 1989, of the Warm Springs Public Service District, to the United States Department of Agriculture, Farmers Home Administration will take place at City Hall, Berkeley Springs, West Virginia, at 2:00 p.m. on August 3, 1989. All transactions at such closing will be deemed to have taken place simultaneously on August 3, 1989, and no transaction shall be deemed to have been delivered unless and until all transactions are complete and all documents are delivered.

COURT OF THE CITY OF WASHINGTON
IN THE MATTER OF
WARM SPRINGS PUBLIC SERVICE DISTRICT

ORDER

WHEREAS, on the 23rd day of January, 1970, a public hearing was held before the County Court of Morgan County, West Virginia, to consider the matter of the creation of Warm Springs Public Service District, pursuant to an order of said Court dated December 16, 1969, at which meeting divers persons residing in or having an interest in property within the said District appeared and were heard for and against the creation of the said District; and

WHEREAS, notice of the time and place of said meeting was duly published in The Morfan Messenger, a newspaper of general circulation in Morgan County, and posted as required by law, and an affidavit of publication and posting by the publisher of The Morfan Messenger has been duly filed in the said Court; and

WHEREAS, the resolution of the Council of the Town of Bath, a municipal corporation situated within the bounds of the said Public Service District, consenting to the creation of the said District, has been duly filed in the said Court; and

WHEREAS, no written petition in opposition to the creation of the said District has been filed with the said Court; and

WHEREAS, the Court is of the opinion that the proposed Public Service District will be conducive to the preservation of public health, comfort, and convenience of the area included within the said District;

NOW THEREFORE, the County Court of Morgan County, West Virginia, pursuant to the authority vested in it by Article 13A, chapter 16 of the West Virginia Code, as amended, does hereby order that a Public Service District for the purpose of constructing, acquiring, maintaining, operating, improving, and extending a sanitary sewage system for the collection, treatment, and purification of sewage and industrial waste is hereby created; that the name of the said Public Service District shall be WARM SPRINGS PUBLIC SERVICE DISTRICT; and, that the bounds of the said Public Service District, which covers a portion of the watershed of Warm Spring Run and lies in a portion of the Bath Magisterial District of Morgan County and contains within its bounds the Town of Bath, a municipal corporation, are as follows:

Beginning at a point on Warm Springs Ridge N 39° 38' 55" - W 78° 13' 11" thence

1. S 63° 35' E 3150 feet to a point N 39° 38' 30" - W 78° 12' 34" thence
2. S 27° 40' W 6910 feet to a point N 39° 27' 28" - W 78° 13' 15" thence
3. S 77° 20' E 2275 feet to a point N 39° 37' 24" - W 78° 12' 45" thence
4. S 33° 40' W 3175 feet to a point N 39° 37' 10" - W 78° 13' 10" in the center of primary road 9 thence
5. S 46° 25' W 4015 feet to a point N 39° 36' 55" - W 78° 13' 16" in the center of secondary road 38/4 thence
6. N 54° 05' W 2810 feet to a point N 39° 37' 00" - W 78° 14' 15" to a point on Warm Springs Ridge thence with the crest of Warm Springs Ridge
7. N 24° 25' E 12,785 feet to the point of beginning containing 1.636 square miles.

IT IS FURTHER ORDERED That the following named persons are hereby appointed the members of the Public Service Board of said District:

Lewis F. Heiner to serve for a term of two years expiring February 1, 1972;
Burton C. English to serve for a term of four years expiring Feb. 1, 1974; and
Earle T. Andrews to serve for a term of six years expiring Feb. 1, 1976; or
until their successors have been appointed and qualified.

Done at Berkeley Springs, West Virginia, this 5 day of February, 1970.

Paul C. Swain
President.

Resolution of the Council of the Town of Bath,

The Council approved a motion by Councilman Shockey, seconded by Jackson, that the Town of Bath Consent to the creation by the Morgan County Court of the Warm Springs Public Service District and to become a part of the said District.

L. F. Heiner
L. F. Heiner, Mayor

The Court not having dispatched all of the business coming before it, adjourned until Monday, February 9, 1970.

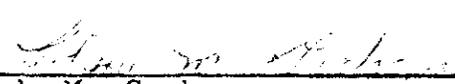
CERTIFICATION

State of West Virginia,
County of Morgan, to-wit:

I, Clyde M. Graham, Clerk of the County Court of Morgan County,
West Virginia, do hereby certify that the foregoing writing, hereto
annexed, bearing date on the 5th day of Feb., 1970, is a
true copy of The "Order" creating the Warm Springs Public Service
District.

as taken from the records in my office in Commissioners Record
Book No. 18,
Page 310.

Given under my hand and official seal this 14th day of September,
1977.


Clyde M. Graham
Clerk of the County Court of
Morgan County, West Virginia

June 22, 1989

T. E. Shufflebarger, Jr.
T. E. Shufflebarger, Jr.
President
Morgan County Commission

Richard G. Gay
Richard G. Gay
County Commissioner

Glen R. Stotler
Glen R. Stotler
County Commissioner

ATTEST: Ralph N. Shambaugh
Clerk of the County Commission

The County Commission not having dispatched all of the business coming before it adjourned until July 20, 1989.

President

July 20, 1989

The County Commission met this day in regular session with Glen R. Stotler and Richard G. Gay present. The meeting was opened by Deputy Cowles.

Bills were ordered paid out of the General County Fund:	Ck. #71-80, 84, 86, 87, 90-94, 96-97, 99-113	\$ 29,016.15
Bills were ordered paid out of the Coal Severance Fund:	Ck. #1	117.56
Bills were ordered paid out of the Mor.Co. Industrial Park Fund:	Ck. #4	98.90
Bills were ordered paid out of the Magistrate Court Fund:	Ck. #1-3	156.71
Bills were ordered paid out of the General School Fund:	Ck. #1	12,377.22

Members of the Morgan County Rescue Service - Steve McBee, Jay Steiner, Kenneth Butts, Chuck Lopp, Bob Stotler, Beth Stotler, Ron Ebert, Richard Michael and others appeared before the County Commission to discuss closing of the emergency room night shift at the hospital. Steve McBee, spokesman for the group, expressed concerns of potential problems in operating the rescue service if all calls are to be transported to the Winchester Hospital.

Current rescue squad vehicle inventory is as follows:

1973 Chevrolet Suburban - rescue vehicle
1981 Ford Van
1985 Ford Box Van

COURT ORDER

The County Commission appointed Charles Lopp as County Coroner.

A request by Virgil Falloon to enter onto industrial park property to perform aqua-culture studies was presented to the Commission by Robert Hawvermale, Industrial Parks Administrator. Upon recommendation from Prosecuting Attorney Charles Trump, the County Commission denied this request due to the potential liability problems in allowing entrance during construction. The Commission directed Bill Clark to write to Mr. Falloon to explain their reason for denial and invite him to make this request again near the end of construction.

On a Richard Gay/Glen Stotler motion, the County Commission entered an order to withdraw the request previously submitted to the Public Service Commission granting water and sewer authority to Warm Springs Public Service District for the industrial park property. Their request for sewage service remains in abeyance.

The Morgan County Commission hereby authorizes the Sheriff's Department to move the evidence from the old jail building.

The Morgan County Commission hereby reappoints the following members to the Special Communications Committee in charge of the county communications system at the Morgan County War Memorial Hospital:

- 1) Ira McIntyre, representing S. Morgan Volunteer Fire Department
- 2) James D. Clark, Jr., representing Berkeley Springs Volunteer Fire Department
- 3) Larry Mann, representing Great Cacapon Volunteer Fire Department
- 4) Daniel Duckwall, representing Morgan County Rescue Service
- 5) Charles Lopp, representing Morgan County War Memorial Hospital
- 6) Kenneth Butts, liaison representative for the Morgan County Commission
- 7) C. Dwan McBee, representing the public.
- 8) George Brooks, representing the public.

These appointments will expire July 30, 1990.

The Morgan County Commission hereby appoints Thomas R. Swain to the Morgan County Planning Commission. The appointment is effective immediately and will expire July 30, 1992.

February 23, 1989

The County Commission met this day with T. E. Shufflebarger, Jr., and Richard Gay present. The meeting was opened by Deputy Sue Sherrard.

The Morgan County Commission met as a Board of Equalization and Review.

County Planner, Bill Clark, reported to the County Commission the Planning Commission's decision to accept the amendments to the subdivision regulations as amended by the County Commission at their February 2 meeting. On a Richard Gay/Tom Shufflebarger motion, the County Commission adopted the amendments to the Morgan County Subdivision Regulations.

County Planner, Bill Clark, presented to the County Commission a copy of the Morgan County Planning Commission Bonding and Escrow Policy for their review.

At 10:45 a.m. the County Commission entered into an Executive Session to discuss county finances on a Richard Gay/Tom Shufflebarger motion. They reconvened to regular session at 12:15 p.m.

Kermit Billups, Larry Englande, and Buck Landry, representatives from Legg Mason, appeared before the County Commission to discuss restructure of the 1979 Mortgage Revenue Bond Issue. Prosecuting Attorney Charles Trump attended this portion of the meeting. After discussion and comparison of the restructuring proposals previously submitted, the County Commission decided, on a Richard Gay/Tom Shufflebarger motion, to accept the proposal submitted to the Morgan County Commission by Legg Mason Wood Walker, Inc., and adopted a resolution appointing underwriter and bond counsel for the restructure transaction. This obligation is conditional on the underwriter delivering to Issuer the minimum net amount of \$700,000 at no cost to Issuer. This obligation is in effect for 90 days from February 23, 1989, and represents no obligation on the part of Morgan County or the State of West Virginia.

The County Commission not having dispatched all of the business coming before it adjourned until February 28, 1989.

 President

February 28, 1989

The County Commission met this day with all members present. The meeting was opened by Deputy Dale Davis.

The Morgan County Commission met as a Board of Equalization and Review.

At 10:00 a.m. the County Commission entered into an Executive Session to hold an incompetency hearing for Cora Virginia Fox. A recording of the hearing is on file in the County Clerk's Office.

The County Commission reconvened to regular session at 10:30 a.m.

Dorthea Robinette appeared before the County Commission to request a homestead exemption previously dismissed by the County Assessor. She stated that she would remain a resident of Morgan County and possessed a West Virginia driver's license. On a Glen Stotler/Richard Gay motion, the County Commission declared Dorthea Robinette exempt from homestead real property tax.

Thurman Whisner appeared before the County Commission to discuss the need for a water and sewer system in the village of Great Cacapon. He volunteered to donate his time to perform preliminary design of such a project. He said he would need aerial photography and other technical information from the County. The Commission welcomed his proposal and agreed to provide the necessary information for this study.

At 11:30 a.m. the County Commission held a public hearing to grant water authority to the Warm Springs Public Service District at the U. S. Route 522 Industrial Park site. There were no negative comments from the public.

Rob Campbell, Morgan County Sanitarian, and Max Fisher, District Sanitarian, appeared before the County Commission to discuss operation of the Morgan County Health Department. They presented budget information for 1988 and 1989. A list of potential board of health members was also presented to the Commission. Rob Campbell stated that he had talked to Dr. Helsley about being a county health officer and found him receptive. The County Commission agreed that arrangements should be made to establish a Morgan County Board of Health for fiscal year beginning July 1, 1989.

The County Commission approved a contract with Bonded Applicators of Maryland, Inc., for the replacement of roofs on the courthouse, annex, and the jail, for the contract price of \$18,750.

COURT ORDER

February 28, 1989

The Morgan County Commission, having met the requirements of the West Virginia Code 16-13A-2, by motion, duly adopted, this 28th day of February, amended the scope of activities of the Warm Springs Public Service District to allow for provision of water authority. The authority will include the area encompassing the U. S. Route 522 Industrial Park, more particularly described as follows:

Parcel #1 - Beginning at an existing concrete monument in the eastern right-of-way line of U. S. Route 522 and running thence with said access road S. 78 degrees 11' 57" E. 854.93 feet to an existing rebar; thence, with the lands of Colonial Village Trust Agreement S. 36 degrees 45' 11" W. 349.50 feet to an existing rebar; thence, S. 46 degrees 54' 11" E. 1186.92 feet to an existing concrete monument; thence, S. 50 degrees 44' 10" E. 625.44 feet to an existing tree stump; thence, with the lands of Colonial Village S. 34 degrees 56' 05" W. 280.00 feet to a point; thence, with a new line of division N. 72 degrees 52' 27" W. 2388.53 feet to an existing concrete monument in the eastern right-of-way line of U. S. Route 522; thence, with said right-of-way N. 64 degrees 19' 11" W. 5.01 feet to an existing concrete monument; thence, with a curve to the left having a radius of 576.11 feet, central angle of 4 degrees 47' 37" chord bearing and distance of N. 22 degrees 58' 53" E. 481.11 feet to an existing concrete monument; thence, N. 20 degrees 40' 00" E. 791.66 feet to the place of beginning containing 47.13 acres more or less.

Parcel #2 - Beginning at an existing concrete monument in the eastern right-of-way line of U. S. Route 522 and running thence with said right-of-way line N. 27 degrees 09' 15" E. 756.99 feet to a point; thence, S. 62 degrees 50' 45" E. 5.00 feet to a point; thence, N. 26 degrees 55' 25" E. 451.22 feet to an existing concrete monument; thence, with a new line of division S. 72 degrees 52' 27" E. 2,388.53 feet to a point; thence, with the lands of Colonial Village S. 34 degrees 56' 05" W. 745.51 feet to a planted stone; thence, with the lands of Coalfont Development Company S. 05 degrees 35' 31" W. 183.89 feet to an existing concrete monument; thence, with the lands of Largent N. 79 degrees 56' 58" W. 2,429.32 feet to the place of beginning containing 55.80 acres more or less.

T. E. Shufflebarger, Jr.
T. E. Shufflebarger, Jr.
President
Morgan County Commission

Richard G. Gay
Richard G. Gay
County Commissioner

Glen R. Stotler
Glen R. Stotler
County Commissioner

ATTEST: Ralph N. Shambaugh
Ralph N. Shambaugh
Clerk of the County Commission

The County Commission not having dispatched all of the business coming before it adjourned ~~until~~ March 7, 1989.

 President

March 7, 1989

The County Commission met this date in regular session with all members present. The meeting ~~was~~ opened by Deputy Sue Sherrard.

Bills were ordered paid out of the General County Fund:	Ck. #'s 3013 - 3046	\$36,974.00
Bills were ordered paid out of the Coal Severance Fund:	Ck. #31	18,125.00
Bills were ordered paid out of the Magistrate Court Fund:	Ck. #41	25,125.00
Bills were ordered paid out of the Industrial Park Fund:	Ck. #23 & 24	1,025.00

At 10:00 a.m. Mrs. John Douglas, representing the Morgan County Library, appeared before the County Commission to request that 40% of the allocable amount of County Hotel/Motel Tax be dedicated to Morgan County Public Library each time distribution is made by the County Commission. Mrs. Douglas also requested the County Commission release to the Library the \$1,000 financial contribution they anticipate receiving for this fiscal year.

Richard Gay suggested that a policy be made on how they should handle closing the Courthouse due to bad weather. On a Richard Gay/Glen Stotler motion, the County Commission decided that Tom Shufflebarger would make the decision to close the Courthouse due to inclement weather. A memo to all county employees is to be sent regarding this decision.

The County Commission approved the following Project Notification and Review documents:

- 1) Housing Services Project
- 2) Housing Preservation Grant

The County Commission will meet on March 20 at 4:30 p.m. to discuss the county budget.

At 11:05 the County Commission entered into an Executive Session to discuss the jail situation.

The County Commission reconvened to regular session at 11:30 a.m.

The County Commission appointed Stephen Mathias as Special Fiduciary Commissioner for the Estate of Herbert Mathias.

T. E. Shufflebarger, Jr.
T. E. Shufflebarger, Jr.
President
Morgan County Commission

Richard G. Gay
Richard G. Gay
Morgan County Commissioner

Glen R. Stotler
Glen R. Stotler
County Commissioner

ATTEST: Ralph N. Shambaugh
Ralph N. Shambaugh
Clerk of the County Commission

The County Commission approved the Request for Funds for the Governor's Highway Safety Program for the period from October through December, 1988.

The County Commission requested a revision to the approved budget for 1988-89 to be sent to the State Tax Commissioner for approval.

The County Commission not having dispatched all of the business coming before it adjourned until February 2, 1989.

 President

February 2, 1989

The County Commission met this day with all members present. They met as a Board of Equalization and Review. The meeting was opened by Deputy Sue Sherrard.

Louise Everett, Peg Shockey, and Polly Miller of Morgan County Extension Homemakers appeared before the County Commission to discuss litter control in Morgan County. Mrs. Everett, spokesperson for the group, described the West Virginia Adopt a Highway Program and expressed their interest in creating a Recycling Pilot Program for Morgan County. On a Glen Stotler/Richard Gay motion, the County Commission agreed to participate in the Litter Control Program and sponsor an application for a recycling program grant from the Department of Natural Resources.

Helena Moser, Joan Gordon, and Steve Abe, representing the Town of Paw Paw, appeared before the County Commission to discuss land pricing and indebtedness concerning the industrial park projects. Richard Hawvermale, Robert Hawvermale, George McVey and Charles Trump were present at the meeting. The County Commission reviewed their agreement with the Town of Paw Paw as prepared for the EDA grant application. Richard Hawvermale described the intent of the agreement. After discussion, it was decided that 40% of the Paw Paw land sale revenues would be applied toward the County debt and 100% of the Berkeley Springs land sale revenue would be applied to the debt until grant indebtedness is satisfied. Further discussion of this issue may be necessary.

At 11:00 a.m. the County Commission discussed the proposed amendments to the Morgan County Subdivision Regulations. Tom Shufflebarger read aloud the amendments as proposed. On a Richard Gay/Glen Stotler motion, the County Commission approved the proposed amendments with the exception of Item 4, Section 11.2, Para. 2 Roads. The Commission then opened the floor for discussion of Item 4. Comments in favor of and against the changing of road grade standards from 12% to 10% on subdivision main roads and 15% to 12% on subdivision side roads were heard and discussed. A letter from Danny Clark, Berkeley Springs Volunteer Fire Department Chief, expressing concerns of the Fire Department on road requirements, was presented to the County Commission by Philip Kesecker.

On a Glen Stotler/Tom Shufflebarger motion, the County Commission voted to reconsider the prior motion approving the proposed amendments and approved the amended Section 11.2 Para. 2 Roads, as follows: "All roads must be accessible year-round by school buses, fire trucks, service trucks, and passenger cars. Main roads are limited to 12% maximum grade and must have a road surface at least 18 feet wide, plus two foot wide shoulders on each side. Side roads are limited to 13% grade and must have a road surface at least 16 feet wide plus two foot wide shoulders on each side. They shall be constructed as heavy duty roads as a minimum."

As stated by Commissioner Gay, the Commissioners are amending the proposed amendments, as it is the general consensus that a 12% road grade is accessible by emergency vehicles would be safe for traffic in Morgan County subdivisions. According to West Virginia Code 8-24-22, a written statement of the reasons for the amendments to the proposals must be sent to the Planning Commission for their review.

Betty Moss, Charles Williams, and Charles Trump appeared before the County Commission to discuss obtaining office space for the Circuit Clerk and the Prosecuting Attorney. The County Commission decided that the Prosecuting Attorney could utilize the two east offices of the County Extension Office and the Circuit Clerk could utilize the offices currently used by RSVP. All parties agreed with the decision.

Ken Pack and Brenda Wye, representatives of the Community Action Agency, appeared before the County Commission to update the Commissioners on their progress with programs administered in Morgan County. Pack informed the Commissioners that office space had been obtained from War Memorial Hospital.

On a Glen Stotler/Richard Gay motion, the County Commission duly ordered that water authority be granted to the Warm Springs Public Service District for the industrial park located on U. S. Route 522. A hearing was set for February 28 at 11:30 a.m. A proper description of the industrial park is as follows:

February 2, 1989 Meeting (Continued)

Parcel #1 - Beginning at an existing concrete monument in the eastern right-of-way line of U. S. Route 522, said monument setting south of an unnamed access road to Colonial Village and running thence with said access road S. 78 degrees 11' 57" E. 854.93 feet to an existing rebar; thence, with the lands of Chambers Trust Agreement S. 36 degrees 45' 11" W. 349.50 feet to an existing rebar; thence, S. 46 degrees 59' 54" E. 1186.92 feet to an existing concrete monument; thence, S. 50 degrees 44' 10" E. 623.44 feet to an existing tree stump; thence, with the lands of Colonial Village S. 34 degrees 56' 05" W. 280.8 feet to a point; thence, with a new line of division N. 72 degrees 52' 27" W. 2388.53 feet to an existing concrete monument in the eastern right of way line of U. S. Route 522; thence, with said right-of-way N. 64 degrees 35' 24" W. 5.01 feet to an existing concrete monument; thence, with a curve to the left having a radius of 5760.00 feet, central angle of 4 degrees 47' 37" chord bearing and distance of N. 22 degrees 58' 53" E. 481.77 feet to an existing concrete monument; thence, N. 20 degrees 40' 00" E. 41.17 feet to the place of beginning containing 47.13 acres more or less.

Parcel #2 - Beginning at an existing concrete monument in the eastern right-of-way line of U. S. Route 522 and running thence with said right-of-way line N. 27 degrees 09' 15" E. 756.99 feet to a point; thence, S. 62 degrees 50' 45" E. 5.00 feet to a point; thence, N. 26 degrees 55' 25" E. 451.22 feet to an existing concrete monument; thence, with a new line of division S. 72 degrees 52' 27" E. 2,388.53 feet to a point; thence, with the lands of Colonial Village S. 34 degrees 56' 05" W. 745.51 feet to a planted stone; thence, with the lands of Coalfont Development Company S. 05 degrees 35' 31" W. 183.89 feet to an existing concrete monument; thence, with the lands of Largent N. 79 degrees 56' 58" W. 2,429.32 feet to the place of beginning containing 55.80 acres more or less.

The County Commission not having dispatched all of the business coming before it adjourned until February 7, 1989.

T. E. Shufflebarger, Jr.
President

February 7, 1989

The County Commission met this day as a Board of Equalization and Review, and also in regular session, with T. E. Shufflebarger, Jr., and Glen Stotler present. The meeting was opened by Deputy Ronda Michener.

The Morgan County Commission met as a Board of Equalization and Review.

Richard Stoecker and Linda Fallon, representing Morgan Arts Council, appeared before the County Commission to discuss upcoming projects of the council and submitted their request for funding from the Morgan County Hotel/Motel Tax. The County Commission agreed to consider the request.

Sheriff William Spitzer appeared before the County Commission to discuss the status of his police department and the use of the offices above the Sheriff's Department.

COURT ORDER

The County Commission appointed Odrey Effland and Richard Harrington to the Morgan County Solid Waste Authority Board of Directors.

The County Commission approved a Project Notification and Review Document for the Environmental Protection Agency.

Gary Goller appeared before the County Commission to present estimated county assessment values.

The County Commission adjourned from regular session and entered an executive session to discuss county personnel.

February 7, 1989

COURT ORDER

The Morgan County Commission hereby appoints Richard Harrington to the Morgan County Solid Waste Authority Board of Directors for a four-year term ending July 1, 1992.

T. E. Shufflebarger, Jr.
T. E. Shufflebarger, Jr.
President
Morgan County Commission

Richard G. Gay
County Commissioner

Glen R. Stotler
Glen R. Stotler
County Commissioner

ATTEST: Ralph N. Shambaugh
Ralph N. Shambaugh
Clerk of the County Commission

The Morgan County Commission accepted and approved the resignation of Deputy Melody Lea Sheppard as Deputy in the Morgan County Sheriff's Department, effective November 30, 1988.

The Morgan County Commission not having dispatched all of the business coming before it adjourned until December 8, 1988.

J. E. Shufflebarger, Jr., Pres

President

December 8, 1988

The County Commission met this day in regular session with T. E. Shufflebarger, Jr., and J. Brown Norton present. The meeting was opened by Deputy Sue Sherrard.

Bills were ordered paid out of the General County Fund:	Ck. #'s 2579 - 2615	\$ 11,950.00
Bills were ordered paid out of the Coal Severance Fund:	Ck. #27	157.00
Bills were ordered paid out of the Magistrate Court Fund:	Ck. #36	15.00
Bills were ordered paid out of the General School Fund:	Ck. #16	2,415.00
Bills were ordered paid out of the Dog & Kennel Fund:	Ck. #33	100.00
Bills were ordered paid out of the Morgan Co. Ind. Park Fund:	Ck. #11-13	2,445.00

At 10:00 a.m. the County Commission opened bids for roof replacement for the Morgan County Jail, Morgan County Courthouse and Courthouse Annex. The companies that submitted bids were: G. A. Largent and Associates, Inc., and Gregory's, Inc.

Robert Hawvermale appeared before the County Commission to discuss the budget for the proposed Industrial Parks.

At 2:00 p.m. a Public Hearing was held for the enlargement of the Warm Springs Public Service District. Public comment in favor of the expansion was heard. On a Brown Norton/Tom Shufflebarger motion, the County Commission approved the enlargement of the Warm Springs Public Service District. The enlargement will include the Warm Springs Drainage area and the U. S. 522 Industrial Park.

The County Commission meeting was changed to December 22, 1988. The County Commission will meet December 23, 1988, to canvass votes for the Special Levy Election.

The County Commission discussed the need for appointments to the District 6 Board of Health.

The County Commission approved the following Region 9 Project Notification and Review documents:

- 1) Clean Lakes Program
- 2) Rural Health Initiative Grant/Migrant Program Grant
- 3) WV Pilot Unit Management Program
- 4) WV Family Planning Program

COURT ORDER

The Morgan County Commission, having met the requirements of the West Virginia Code 16-13A-2, by motion, duly adopted, this 8th day of December, to enlarge the Warm Springs Public Service District. The enlargement will include the Warm Springs drainage area and the U. S. Route 522 Industrial Park more particularly described as follows;

Beginning at a corner to the existing boundary to the Warm Springs Public Service District, which point lies in or near West Virginia State Route 9 and is located at the Latitude 39 degrees 37' 10" N. and Longitude 78 degrees 13' 10" W.; thence, running east with said Route 9,

S. 70 degrees 45' 22" E., 1200.32 feet, more or less, to the intersection of said Route 9 and New Hope Road; thence, running east with said Route 9,

N. 50 degrees 22' 26" E., 3128.49 feet, more or less, to the point where the watershed line of Warm Springs Run crosses said Route 9; thence, following the watershed line of Warm Springs Run, which is approximated by the following courses and distances:

S. 35 degrees 16' 59" E., 1188.18 feet, thence,
S. 20 degrees 43' 20" W., 3858.30 feet to a point near New Hope Road, thence,
S. 45 degrees 13' 42" W., 3240.80 feet; thence,
S. 41 degrees 19' 30" E., 589.26 feet to a point near Johnsons Mill Road; thence,
S. 19 degrees 42' 09" W., 2612.09 feet; thence,
N. 83 degrees 35' 06" W., 709.33 feet; thence,
S. 27 degrees 30' 34" W., 5563.12 feet; thence, crossing W. Va. County Route 13,
N. 58 degrees 41' 40" W., 1260.45 feet; thence,
S. 28 degrees 31' 45" W., 3798.49 feet; thence,
N. 68 degrees 51' 36" W., 1599.72 feet; thence,
S. 28 degrees 35' 46" W., 2093.66 feet; thence,
N. 77 degrees 59' 50" W., 1019.33 feet; thence,
S. 53 degrees 41' 06" W., 2144.32 feet to a point near the intersection of U. S. Route 522 and Shirley Drive; thence,
S. 25 degrees 50' 16" W., 319.03 feet to a point near said Route 522; thence,
N. 85 degrees 05' 11" W., 1498.48 feet to a point on the top of Warm Springs Ridge; thence, with the top of Warm Springs Ridge,
N. 21 degrees 49' 28" E., 7342.15 feet; thence, with the top of Warm Springs Ridge,
N. 25 degrees 39' 46" E., 14,323.25 feet to a point in the line of the existing boundary of said District, and in the center of said Route 9; thence, leaving the watershed of Warm Springs Run, and with the existing boundary of said District,
S. 23 degrees 25' 37" W., 2900.00 feet, more or less; thence, with the existing boundary of said District,
S. 54 degrees 29' 58" E., 2787.83 feet; thence, with the existing boundary of said District,
N. 46 degrees 40' 00" E., 3980.98 feet to the point of beginning and containing 2,878 acres, or

5.50 square miles, more or less.

U. S. 522 Industrial Park, more particularly described as follows:

Parcel #1 - Beginning at an existing concrete monument in the eastern right of way line of U. S. Route 522, said monument setting south of an unnamed access road to Colonial Village and running thence with said access road S. 78 degrees 11' 57" E. 854.93 feet to an existing rebar; thence, with the lands of Chambers Trust Agreement S. 36 degrees 45' 11" W. 349.50 feet to an existing rebar; thence, S. 46 degrees 59' 54" E. 1184.92 feet to an existing concrete monument; thence, S. 50 degrees 44' 10" E. 625.44 feet to an existing tree stump; thence, with the lands of Colonial Village S. 34 degrees 56' 05" W. 280.00 feet to a point; thence, with a new line of division N. 72 degrees 52' 27" W. 2388.53 feet to an existing concrete monument in the eastern right of way line of U. S. Route 522; thence, with said right of way N. 64 degrees 35' 24" W. 5.01 feet to an existing concrete monument; thence, with a curve to the left having a radius of 5760.00 feet, central angle of 4 degrees 47' 37" chord bearing and distance of N. 22 degrees 58' 53" E. 481.77 feet to an existing concrete monument; thence, N. 20 degrees 40' 00" E. 791.66 feet to the place of beginning containing 47.13 acres more or less.

Parcel #2 - Beginning at an existing concrete monument in the eastern right of way line of U. S. Route 522 and running thence with said right of way line N. 27 degrees 09' 15" E. 756.99 feet to a point; thence, S. 62 degrees 50' 45" E. 5.00 feet to a point; thence, N. 26 degrees 55' 25" E. 451.22 feet to an existing concrete monument; thence, with a new line of division S. 72 degrees 52' 27" E. 2,388.53 feet to a point; thence, with the lands of Colonial Village S. 34 degrees 56' 05" W. 745.51 feet to a planted stone; thence, with the lands of Coolfont Development Company S. 05 degrees 35' 31" W. 183.89 feet to an existing concrete monument; thence, with the lands of Largent N. 79 degrees 56' 58" W. 2,429.32 feet to the place of beginning containing 55.80 acres more or less.

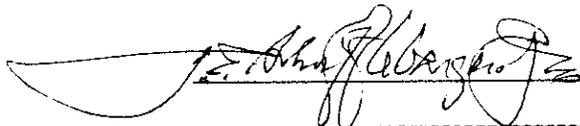
T. E. Shufflebarger, Jr.
T. E. Shufflebarger, Jr.
President
Morgan County Commission

J. Brown Norton
J. Brown Norton
County Commissioner

Glen R. Stotler
Glen R. Stotler
County Commissioner

ATTEST: Ralph N. Shambaugh
Ralph N. Shambaugh
Clerk of the County Commission

The County Commission not having dispatched all of the business coming before it adjourned until December 22, 1988.

 President

December 12, 1988

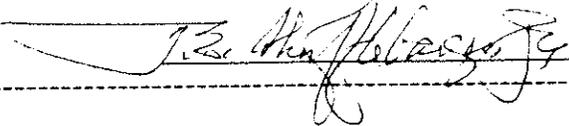
At 10:00 a.m. the County Commission met for the opening of sealed bids for the 522 and Paw Paw Industrial Parks. All members were present.

Bids from the following companies were opened and read aloud:

522 Industrial Park Bids:		
C. W. Hetzer	\$	919,241
I. A. Construction	\$	1,113,945
Buckley-Lages, Inc.	\$	1,343,119
Jack Alvarez	\$	1,183,159
Paw Paw Industrial Park Bids:		
I. A. Construction	\$	615,400
Jack Alvarez	\$	769,316

On a Glen Stotler/Tom Shufflebarger motion, the County Commission awarded bids to C. W. Hetzer for the construction of the 522 Industrial Park and I. A. Construction for the Paw Paw Industrial Park. A decision on the use of the project deductive alternatives and project cost overruns will be made at a later date.

The County Commission not having dispatched all of the business coming before it adjourned until December 22, 1988.

 President

OATH OF OFFICE AND CERTIFICATE

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

I, Earle T. Andrews, do solemnly swear that I will support the Constitution of the United State of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of member of the public service board of Warm Springs Public Service District to the best of my skill and judgement, SO HELP ME GOD.

Earle T. Andrews

Subscribed and sworn to before me in said County and State this 23rd day of February, 1988.

Joyce Elaine McLeak

Notary Public

My Commission Expires Jan. 3, 1993

CERTIFICATION

I, Ralph N. Shambaugh, Clerk of the County Commission of Morgan County, West Virginia, hereby certify that the foregoing order is a true and accurate copy of the Oath of Office signed by the member of the public service board of Warm Springs Public Service District on Feb. 23, 1988.

Given under my hand this 23rd day of February, 1988.

Ralph N. Shambaugh

Ralph N. Shambaugh, County Clerk

OATH OF OFFICE AND CERTIFICATE

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

I, Ronald R. Reeder, do solemnly swear that I will support the Constitution of the United State of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of member of the public service board of Warm Springs Public Service District to the best of my skill and judgement, SO HELP ME GOD.

Ronald R. Reeder

Subscribed and sworn to before me in said County and State this 9th day of September, 19 86.

Joyce Colvins McPeak

Notary Public
My Commission Expires Jan. 3, 1993

CERTIFICATION

I, Ralph N. Shambaugh, Clerk of the County Commission of Morgan County, West Virginia, hereby certify that the foregoing order is a true and accurate copy of the Oath of Office signed by the member of the public service board of Warm Springs Public Service District on Sept. 9th, 19 86.

Given under my hand this 9th day of Sept, 19 87.

Ralph N. Shambaugh
Ralph N. Shambaugh, County Clerk

OATH OF OFFICE AND CERTIFICATE

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

I, Burton C. English, do solemnly swear that I will support the Constitution of the United State of America and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of member of the public service board of Warm Springs Public Service District to the best of my skill and judgement, SO HELP ME GOD.

Burton C. English

Subscribed and sworn to before me in said County and State this 4th day of February, 19 86.

Joyce Elaine McPeak

Notary Public

My Commission Expires Jan. 3, 1993

CERTIFICATION

I, Ralph N. Shambaugh, Clerk of the County Commission of Morgan County, West Virginia, hereby certify that the foregoing order is a true and accurate copy of the Oath of Office signed by the member of the public service board of Warm Springs Public Service District on Feb. 4th, 19 86.

Given under my hand this 4th day of February, 1987.

Ralph N. Shambaugh

Ralph N. Shambaugh, County Clerk

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Directors
OF THE Warm Springs Public Service District
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS
Public Sewerage System
FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Warm Springs Public Service District
(Public Body)

(herein after called association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of
Three Hundred Thousand Dollars (\$300,000.00) -----

pursuant to the provisions of Chapter 16, Article 13A of the Code of West Virginia

WHEREAS, the association intends to obtain assistance from the Farmers Home Administration, 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 to 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 and containing such items and in such forms 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 FmHA 400-4, "Assurance Agreement"; and Form FmHA 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 legal 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, not permit others to do so, without the prior written consent of the Government.
7. Not to borrow any money from any source, enter into any contract or agreement, or incur any other liabilities in connection with making enlargements, improvements or extensions to, or for any other 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. No free service or use of the facility will be permitted.
11. To acquire and maintain such insurance coverage including fidelity bonds 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 in such a manner as may be required by the Government, to provide the Government without its request, a copy of each such audit, and to make and forward to the Government such additional information and reports as it may from time to time require.

The agreement to provide the information collected through the loan resolution is required to obtain FmHA loan/grant assistance and the information so collected is used to determine compliance with the covenants of this resolution and applicable FmHA regulations.

13. To provide the Government at all reasonable time. Access to all books and records relating to the facility and 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. In cases where the Government requires that a reserve account be established and maintained, when necessary, disbursements from the reserve account may be used for payments due on the bond if sufficient funds are not available in the general or debt service accounts. With the prior written approval of the Government, funds may be withdrawn for:
 - (a) Paying the cost of repairing or replacing any damage to the facility which may have been caused by catastrophe.
 - (b) Repairing or replacing short-lived assets.
 - (c) Making extensions or improvements to the facility.
 Any time funds are disbursed from the reserve account, additional deposits will be required until the reserve account has reached the required funded level.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain FmHA'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. In the case of a grant in the sum not to exceed \$ N/A, the association

hereby accepts the grant under the terms as offered by the Government and that the N/A and _____ 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 the association hereby resolves to operate the facility under the terms as 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. The provisions of sections 6 through 15 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 as between the association and the Government.

The vote was: Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the Board of Directors of the Warm Springs Public Service District has duly adopted this Resolution and caused

to be executed by the officers below in duplicate on this 12TH day of Feb, 1987.

WARM SPRINGS PUBLIC SERVICE DISTRICT
 By Earle T. Andrews
 Earle T. Andrews
 Title Chairman

(SEAL)

Attest: Auston A. English
 Title Secretary

CERTIFICATION

I, the undersigned, as Secretary of the Warm Springs Public Service District hereby certify that the Board of Directors of such Association is composed of 3 members, of whom 3, constituting a quorum, were present at a meeting thereof duly called and held on the 12 day of Feb, 1987; that the foregoing resolution was adopted at such meeting by the vote shown above; and that said resolution has not been rescinded or amended in any way.

Dated, this 23 day of Feb, 1987.
Auston A. English
 Title Secretary



United States
Department of
Agriculture

Farmers
Home
Administration

400 Davis Avenue
Elkins, WV 26241

February 12, 1987

Mr. Earle T. Andrews, Chairman
Warm Springs Public Service District
103 Wilkes Street, P. O. Box 456
Berkeley Springs, WV 25411

Dear Mr. Andrews:

This letter, with attachments 1 through 6 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. Any changes in project cost, source of funds, scope of service, or any other significant changes in the project or applicant must be reported to and approved by FmHA by written amendment to this letter. Any changes not approved by FmHA shall be cause for discontinuing processing of the application.

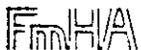
This letter is not to be considered as loan approval or as representation to the availability of funds. The docket may be completed on the basis of an FmHA loan not to exceed \$300,000.

If FmHA makes the loan, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form FmHA 1940-1, "Request for Obligation of Funds", is mailed to you. If you want the lower of the two rates, your written request should be submitted to FmHA as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 calendar days before 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 - Final Project Planning Factors (All Copies)
- Attachment No. 2 - Warm Springs Public Service District Loan
Docket Table of Contents (All Copies)
- Attachment No. 3 - FmHA Instruction 1942-A, Section 1942.17
(Applicant Copy)



Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

- Attachment No. 4 - FmHA Instruction 1942-A, Section 1942.19
(Attorney and Bond Counsel Copies)
- Attachment No. 5 - Instructions to Independent Certified Public Accountants and Licensed Public Accountants Performing Audits of Farmers Home Administration Borrowers and Grantees
(Accountant's Copy)
- Attachment No. 6 - Various other FmHA Forms as identified on Attachment No. 2

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

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. For planning purposes use a 05.875% interest rate and a monthly amortization factor of .00542, which provides for a monthly payment of \$1,626. Your authority must establish and fund monthly a debt service reserve account in an amount equal to at least 1/10th of your monthly debt service payment.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its FmHA loan, in whole or in part, upon the request of FmHA if at anytime 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 similiar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien of first priority, a pledge of the system's revenues and other agreements between you and the lender (FmHA) 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 Form FmHA 1942-47 which is mentioned later.
3. Users - This conditional commitment is based upon your providing evidence that you have at least 896 bona fide users on the system before the loan is closed. This evidence will consist of a certification from you that identifies and attests to the number of users that are actually connected to and using the existing sewer system at the time you request instructions for closing the loan.
4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Section 1942.19 of FmHA Instruction 1942-A. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

5. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:
 - a. In the case of existing systems or where the authority has already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.
 - b. A certification and legal opinion relative to title to rights-of-way and easements Form FmHA 442-21, "Right-of-Way Certificate", and Form FmHA 442-22, "Opinion of Counsel Relative to Rights-of-Way", may be used.
 - c. On the day of loan closing, the authority's attorney must furnish final title opinion on all land(s) owned by the District.

6. Public Service Commission Approvals - You must obtain the following from the Public Service Commission of West Virginia:
 - a. A Certificate of Convenience and Necessity if the Commission requires you to have one.
 - b. Approval of user charges that are acceptable to you and the Farmers Home Administration.
 - c. Approval of financing for the project's proposed financing arrangements.

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

7. Accounting - You must obtain the services of a qualified accountant. That accountant must agree (by letter) to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42).

FmHA regulations (Attachment No. 3), and State Statutes outline audit requirements. The attached booklet, "Instructions to Independent Certified Public Accountants and Licensed Public Accountants Performing Audits of Farmers Home Administration Borrowers and Grantees", (Attachment No. 5) outlines FmHA audit requirements. You must enter into an agreement annually with an accountant (or the State Tax Commission) to perform the authority's annual audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia and must provide for the audit to be completed and submitted for our review within 90 days following the end of the authority's business year.

8. Insurance and Bonding Requirements:

- a. Prior to loan closing, you must provide evidence of having the following insurance and bond coverage:
- (1) Liability Insurance - Personal Liability - Minimum \$500,000 Property Damage - Minimum \$200,000-\$200,000. The limits of liability coverage noted herein should be considered as minimum requirements only. FmHA recommends that you consider increasing the given limits of liability after analyzing your specific needs.
 - (2) Workmen's Compensation - In accordance with appropriate State laws.
 - (3) Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded for the maximum amount of funds to be under the control of that position at any one time. Form FmHA 440-24, "Position Fidelity Bond", will be used. A certified and effective dated power-of-attorney will be attached to each bond.
 - (4) 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:
 - (a) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (b) 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.
 - (5) 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, in an amount equal to the insurable value thereof. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

9. You are, or have been approved to become, a recipient of Federal financial assistance from the United States Department of Agriculture.

In the case of Paralyzed Veterans of America, et al, Plaintiff, V. William French Smith, et al, Defendants, United States District Court, Central District of California, No. 79-1979 WPG, the Honorable William P. Gray ordered the United States Department of Agriculture to notify you that as a recipient of such assistance you are required to comply with the provisions of Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. Sec. 794), even though the United States Department of Agriculture has not yet issued final regulations implementing Section 504 of the Rehabilitation Act.

Section 504 of the Rehabilitation Act is designed to assure that those who receive Federal financial assistance will not discriminate against handicapped persons. It provides in relevant part as follows:

"No otherwise qualified handicapped individual in the United States. . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

Effective June 3, 1977, the Department of Health and Human Services issued final regulations implementing Section 504 as it applies to recipients of Federal financial assistance from that agency (45 C.F.R. Part 84). You may look to the HHS regulations for guidance as to your obligation under Section 504 of the Rehabilitation Act.

10. At a properly called meeting, you must take the necessary action to ensure the proper and legal adoption and execution of the following forms, and minutes showing the adoption must be provided:

Form FmHA 442-7 - Initial Operating Budget
 Form FmHA 1940-1 - Request for Obligation of Funds
~~Form FmHA 1942-31 - Association Water or Sewer System Grant Agreement~~
 Form FmHA 1942-47 - Loan Resolution
~~Form FmHA 1942-9 - Association Loan Resolution Security Agreement~~
~~Form FmHA 1942-8 - Resolution of Members or Stockholders~~
 (This must be at a membership meeting)
 Form FmHA 400-1 - Equal Opportunity Agreement
 Form FmHA 400-4 - Assurance Agreement

11. The enclosed 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 FmHA State Office with a request for loan closing instructions to be issued.

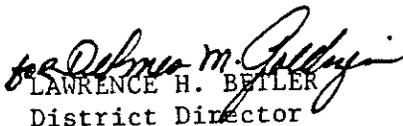
12. When the loan docket has been received by the FmHA State Office and it is determined adequate funds are available to cover the total costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of 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.

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.

Please complete and return the enclosed Form FmHA 442-46, "Letter of Intent to Meet Conditions", if you desire further consideration be given your application.

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

Sincerely yours,


LAWRENCE H. BEILER
District Director

cc: Administrator, FmHA
Attn: Water and Waste Disposal
Loan Division
Washington, DC

State Director, FmHA
Morgantown, WV

County Supervisor, FmHA
Martinsburg, WV

Mr. Clarence E. Martin, Jr.
Attorney at Law
119 S. College Street
Martinsburg, WV 25401

✓ Jackson, Kelly, Holt & O'Farrell
P. O. Box 553
Charleston, WV 25301

Blair & Company, CPA
721 Peoples Bldg.
Charleston, WV 25301

Project Planning Factors

The following estimates are to be used as a basis for project planning:

	<u>FmHA Loan</u>	<u>Total</u>
Construction - Overrun	\$ 115,000	\$ 115,000
Judgement from Arbitration	130,000	130,000
Bond Counsel	6,000	6,000
Engineering & Other Fees	<u>49,000</u>	<u>49,000</u>
Totals	\$ 300,000	\$ 300,000

Trailer Courts

On trailer courts no bill shall be rendered for less than the minimum charge herein established, multiplied by the number of units situated on the court site at the time the water meter is read, the charge established based on the minimum bill for the size of water meter installed or the actual charge based on the amount of water used, whichever is greater. House trailers (as used hereinabove) shall include both mobile and immobile units.

House trailers, either mobile or immobile, located on sites other than a park or court, shall be billed in the same manner as any family or business unit.

Use and Income Analysis

624 users @ 3,000 gallons @	13.00 per user = \$	8,112 monthly
100 users @ 4,000 gallons @	16.80 per user = \$	1,680 monthly
75 users @ 5,000 gallons @	20.60 per user = \$	1,545 monthly
50 users @ 6,000 gallons @	24.40 per user = \$	1,220 monthly
25 users @ 7,000 gallons @	28.20 per user = \$	705 monthly
15 users @ 30,000 gallons @	95.20 per user = \$	1,428 monthly
1 users @ 57,000 gallons @	165.40 per user = \$	165.40 monthly
1 users @ 60,000 gallons @	173.20 per user = \$	173.20 monthly
1 users @ 96,000 gallons @	266.80 per user = \$	266.80 monthly
1 users @ 112,000 gallons @	308.40 per user = \$	308.40 monthly
1 users @ 138,000 gallons @	376.00 per user = \$	376.00 monthly
1 users @ 190,000 gallons @	511.20 per user = \$	511.20 monthly
1 users @ 600,000 gallons @	1,577.20 per user = \$	1,577.20 monthly

896 Total = \$18,068.20 monthly x 12 = \$216,818.40 annually

Rates:

1. The rates for sewer service will be based on water usage for all users now receiving metered water service as follows:

Sewer Rates (Metered Customers)

First	3,000 gallons @ 4.333 per 1,000 gallons
Next	4,000 gallons @ 3.80 per 1,000 gallons
Next	5,000 gallons @ 3.40 per 1,000 gallons
Next	8,000 gallons @ 3.00 per 1,000 gallons
All Over	20,000 gallons @ 2.60 per 1,000 gallons

Minimum monthly sewer bill --- \$13.00 based on 3,000 gallons of water used.

2. For sewer customers who are not on metered water service, "flat" sewer service rates will be charged as follows: (This rate will apply to those unmetered customers only until such time as a metering device becomes available).

Flat Sewer Rates (Unmetered Customers)

Residences and Small Commercial Users -	\$13.00
Restaurants	21.00
Car Washes	37.00
Garage Washing Cars	37.00
Laundromat	65.00
Clinics	65.00

Delayed Payment Penalty:

The above tariff is net; on all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

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

Connection Charge:

Subsequent to Award of Construction Contract - There shall be a charge for connection to the system of one hundred fifty dollars (\$150.00), or actual cost of installation, including materials and labor, whichever is greater.

Multiple Occupancy:

On apartment buildings or other multiple occupancy buildings, no bill shall be rendered for less than the minimum charge herein established multiplied by the number of units occupied therein at the time the meter is read, the minimum charge established based on the size water meter installed or the actual charge based on the amount of water used, whichever is greater. Motels and hotels shall pay based on the size water meter serving them and the amount of water used.

Budget:

Income \$ 216,818.40

Expenses

O & M	\$ 109,000.00	
Old Debt Service	78,132.00	
Old Reserve	7,813.00	
New Debt Service	19,512.00	
New Reserve	1,952.00	
		\$ <u>216,409.00</u>

Balance and Depreciation \$ 409.40

Operating and Maintenance Expenses

Wages - Salaries	\$ 50,000.
Office Expenses (telephone, rent, supplies)	5,000.
Taxes, Insurance, Bonds	5,000.
Fees (accounting, audit, legal)	5,000.
Utilities (electric, water, sewer, gas, fuel oil)	20,000.
Repair to Facilities and Equipment	5,000.
Fuel - Gasoline - Oil	3,000.
Miscellaneous Material and Supplies	8,000.
Reading, Billing and Collection	<u>8,000.</u>
TOTAL	\$ 109,000

Attachment No. 2
 Letter of Conditions
 Dated: ~~Feb. 1, 1967~~
 For: Warm Springs Public Service District

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARMERS HOME ADMINISTRATION
 Table of Contents
 Preapplication, Applications - Complete Docket
 Association Loans and Grants
 Water and Sewer Systems

PREAPPLICATIONS

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd.</u>	<u>File Pos.</u>
AD 621	Preapp. for Fed. Assist.	0 & 2	1942.2(a)(1)	Appl.			3
	Audit for last year of operation	1	1942.17(h)	App./Att. Acct.		Have	1
	Copy of existing rate tariff	2	1942.17(h)	App./Atty. Acct.		Have	8
	Statement reporting the total number of <u>potential users</u>	2	1942.17(h)(2)(i)(A)	App./Engr. Acct.		Have	8
	Project Planning Factors	4	State Office	FmHA		Have	3

Attachment No. 2
Letter of Conditions
Dated: _____
For: Warm Springs Public Service District

APPLICATIONS

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd.</u>	<u>File Pos.</u>
AD 622	Notice of Preapplication Review	0 & 2	1942.17(m)(4)	FmHA		Have	3
AD 624	Application for Federal Assistance	0 & 1	1942.17(m)(5)	Appl.			3
1942-45	Project Summary	0 & 2	1942.5(a)(1)	FmHA		Have	1
442-7	Initial Operating Budget	0 & 2	1942.17(h)	Appl.			3
442-14	Project Fund Analysis	0 & 4	1942.5(c)	FmHA		Have	2

Attachment No. 2
 Letter of Conditions
 Dated: _____
 For: Warm Springs Public Service District

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd.</u>	<u>File Pos.</u>
	Letter of Conditions	7	1942.5(c)	FmHA		Have	3
442-46	Letter of Intent to Meet Conditions	2	1942.5(c)	Appl.			3
1940-1	Request for Obligation of Funds	4	1942.5(c)(3)	FmHA/Appl.		Have	2
	Written Request from Applicant for the Lower Interest Rate	2	1942.17(f)(1)	FmHA/Appl.			2
440-57	Acknowledgement of Obligated Funds/Check Request	1	1942.5(d)(5)	FmHA			2
	Preliminary Bond Transcr. Documents	2	1942.17(j)(6)(ii)	Bond Counsel			2
427-9	Preliminary Title Opn.	1	1942.17(j)(4)(i)	Atty.			5
	Narrative Opinion from Attorney	1	LOC	Atty.			5
442-21	Right-of-Way Certificate	1	1942.17(j)(4)(i)	Appl.			5
442-22	Opinion of Counsel Relative to R/Way	1	1942.17(j)(4)(i)	Atty.			5

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd.</u>	<u>File Pos.</u>
1942-47	Loan Resolution	1	1942.17(n)(2)	Appl.			5
	Copy of PSC Application	1	State	Atty/Acct.			6
	Copy of PSC Rule 42 Exhibit	1	State	Atty/Acct.			3
	Letter from Accountant	1	LOC	Acct.			6
400-1	Equal Opportunity Agreement	1	1942.17 (n)(2)(x)	Appl.			6
400-4	Assurance Agreement	1	1942.17 (n)(2)(x)	App.			3
	Bond Transcript Documents	3	1942.17 (j)(6)(ii)	Bond Counsel			Sep. File
	Record of Mailing of Bonds	1	2018-E 2018.203	FmHA			1
	OGC Closing Instructions	1	1942.17(n)(3)	FmHA			5
	S/O Closing Instructions	1	1942.17(n)(3)	FmHA			5
427-10	Final Title Opinion	1	1942.17 (j)(4)(i)	Atty.			5
	PSC Order (Approval of Financing)	1	State	Appl.			6

Attachment No. 2
 Letter of Conditions
 Dated:
 For: Warm Springs Public Service District

DOCKET

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Respons. Party</u>	<u>Target Date</u>	<u>Date Rec'd.</u>	<u>File Pos.</u>
	Accountant's Certification on Accounting System	1	1942.17 (q)(1)	Acct.			3
	FmHA Approval of Acct. System	1	1942.17 (q)(1)(ii)	App1/FmHA			3
400-8	Comp. Review	1	1942.6(c)	FmHA			5
	Liability Insurance	1	1942.17 (j)(3)(iv)	App1.			7
	Workmen's Compensation Certificate	1	1942.17 (j)(3)(iv)	App1.			7
440-24	Fidelity Bond (with Power of Attorney)	1	1942.17 (j)(3)(iv)	App1.		Have	7

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Warm Springs Public Service
District, Sewer Revenue Bond, Series 1989

MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION

I, Burton C. English, Secretary of the Public Service Board of Warm Springs Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Warm Springs Public Service District met in special session, pursuant to notice duly given and posted, on the 3rd day of August, 1989, at City Hall, Berkeley Springs, West Virginia, at 2:00 p.m.

Present: Earle T. Andrews - Chairman and
Member, Public Service Board;

Burton C. English - Secretary and Member,
Public Service Board;

Ronald Reeder - Member, Public Service Board;

Also present were Samme Gee and Leah R. Taylor of Jackson & Kelly, Delmes Goldizen of Farmers Home Administration, Raymond Lawyer of Citizens National Bank of Berkeley Springs, Lyn Steel of the Evening Journal, Doug Taylor and Kelly Beck of Martin & Seibert, Jerry McGraw of Warm Springs Public Service District, and Rodney Hovermale of Warm Springs Public Service District.

Earle T. Andrews, Chairman, presided and Burton C. English, 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 Bond Resolution in writing entitled:

A RESOLUTION SUPPLEMENTING A RESOLUTION
AUTHORIZING THE ISSUANCE OF \$1,326,000 SEWER
REVENUE BONDS, SERIES 1977, OF WARM SPRINGS
PUBLIC SERVICE DISTRICT TO FINANCE
CONSTRUCTION OF A PUBLIC SEWER SYSTEM;
AUTHORIZING THE ISSUANCE OF A WARM SPRINGS
PUBLIC SERVICE DISTRICT SEWER REVENUE BOND,
SERIES 1989, IN AGGREGATE PRINCIPAL AMOUNT
NOT TO EXCEED \$300,000, AND THE SALE THEREOF
TO THE UNITED STATES DEPARTMENT OF
AGRICULTURE, FARMERS HOME ADMINISTRATION, TO
FINANCE, ALONG WITH OTHER FUNDS AND MONEYS

OF, OR AVAILABLE TO, THE WARM SPRINGS PUBLIC SERVICE DISTRICT THAT MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, THE LONG-TERM COST OF THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING SEWERAGE SYSTEM OF THE WARM SPRINGS PUBLIC SERVICE DISTRICT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNER OF SUCH SEWER REVENUE BOND; AND ADOPTING OTHER PROVISIONS RELATED THERETO

Thereupon, the Chairman presented a Supplemental Bond Resolution in writing entitled:

RESOLUTION AWARDING THE WARM SPRINGS PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, SERIES 1989 IN THE PRINCIPAL AMOUNT OF \$300,000 AND FIXING THE RATE OF INTEREST THEREON

and caused the same to be read and there was discussion. Thereupon, on motion of Burton C. English, seconded by Ronald R. Reeder, it was unanimously ordered that said Bond Resolution and Supplemental Bond Resolution be adopted and be in full force and effect on and from the date thereof.

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

I hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended or appealed.

WITNESS my signature on this 3rd day of August, 1989.

Burton C. English
Secretary, Public Service Board

WARM SPRINGS PUBLIC SERVICE DISTRICT

Sewer Revenue Bond, Series 1989

BOND RESOLUTION

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Exhibit A--Project Description
Exhibit B--Rates

BOND RESOLUTION

Introduced

Passed

Introduced by

A Resolution supplementing a resolution authorizing the issuance of \$1,326,000 Sewer Revenue Bonds, Series 1977, of Warm Springs Public Service District to finance construction of a public sewer system; authorizing the issuance of a Warm Springs Public Service District Sewer Revenue Bond, Series 1989, in aggregate principal amount not to exceed \$300,000, and the sale thereof to the United States Department of Agriculture, Farmers Home Administration, to finance, along with other funds and moneys of, or available to, the Warm Springs Public Service District that may be lawfully expended for such purposes, the long-term cost of the acquisition and construction of certain improvements and extensions to the existing sewerage system of the Warm Springs Public Service District; providing for the rights and remedies of and security for the owner of such Sewer Revenue Bond; and adopting other provisions related thereto.

BE IT ADOPTED AND ORDAINED BY THE PUBLIC SERVICE BOARD OF THE WARM SPRINGS PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings in this Resolution unless the context expressly requires otherwise:

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

B. "Bond" or "Bonds" means the Original Bonds and any pari passu additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

C. "Bond Register" means the books of the District maintained by the Registrar, as hereinafter defined, for the registration and transfer of Bonds.

D. "Bondholder," "Holder of the Bonds" or "Owner of the Bonds" or "Registered Owner" or any similar term means any person who shall be the registered owner, as shown by the Bond Register, of any outstanding Bond.

E. "Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Bonds in substantially the form set forth in the Bond form contained herein.

F. "Chairman" means the Chairman of the District.

G. "Construction Trust Fund" means the Warm Springs Public Service District Construction Trust Fund established by Section 5.02.

H. "Consulting Engineers" means Kelly, Gidley, Blair & Wolfe, Inc., Charleston, West Virginia, and any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems that shall at any time be retained by the District as consulting engineers for the System, as hereinafter defined.

I. "Cost of Works", "Cost of Project" or similar phrases mean those costs described in Section 1.03(K) hereof to be a part of the cost of the acquisition and construction of the Project, as hereinafter defined.

J. "Depository Bank" means a state banking corporation or national banking association, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the Federal Deposit Insurance Corporation, as shall be appointed by a resolution supplemental hereto, and any successor thereto.

K. "District" means the Warm Springs Public Service District, a public corporation of the State of West Virginia, and, where appropriate, also means the Public Service Board thereof.

L. "Event of Default" means any event or occurrence specified in Section 7.01.

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

N. "Government" means the United States Department of Agriculture, Farmers Home Administration, and any successor thereto, as the Original Bond Purchaser of the Original Bond both as hereinafter defined.

O. "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.

P. "Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provisions for uncollectible accounts; provided, that "gross revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments as defined in and purchased pursuant to the Indenture hereinafter defined) or any connection charges, and for the furnishing by the District of miscellaneous services.

Q. "Independent Certified Public Accountant" means any firm of certified public accountants which shall be retained by the District as independent accountants for the System, as hereinafter defined.

R. "Net Revenues" means Gross Revenues less Operating Expenses, as hereinafter defined.

S. "Operating Expenses" means the reasonable, proper and necessary cost of repair, maintenance and operation of the system and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the fiscal agents, registrars, paying agents and trustees, other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption, if any, or interest on interim financing or the Bonds, charges for depreciation, losses from the sale of 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.

T. "Original Bond" means the not to exceed \$300,000 in aggregate principal amount of Sewer Revenue Bond, Series 1989, of the District originally authorized to be issued and sold to the Government pursuant to this Resolution.

U. "Original Bond Purchaser" means the Government as purchaser, directly from the District, of the Original Bond issued pursuant hereto.

V. "Outstanding," when used with reference to the Prior Bonds or the Bonds, as of any particular date, describes all Prior Bonds or Bonds theretofore and thereupon being issued and delivered except (a) any Bond cancelled by the Registrar, as hereinafter defined, at or prior to said date; (b) any Prior Bonds or Bond for the payment of which monies equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Prior Bonds or Bond deemed to have been paid as provided by Section 9.07; and (d) with respect to determining a specified percentage of Bondholders for the purpose of consents, notices and the like, any Bond registered to the District.

W. "Prior Bonds" means the District's Sewer Revenue Bonds, Series 1977, dated August 15, 1978, issued in the principal amount of \$1,326,000 and currently outstanding in the principal amount of \$1,181,956.11.

X. "Prior Resolution" means the resolution adopted by the Public Service Board of the District on October 14, 1977, authorizing the issuance of the Prior Bonds.

Y. "Project" means the extensions and improvements to the existing sewerage system of the District described in Exhibit A attached hereto and incorporated herein by reference.

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

(a) Government Obligations;

(b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Federal Land Banks; or Governmental National Mortgage Association;

(c) 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;

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

market value thereof is always at least equal to the principal amount of said time account;

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

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

(g) Obligations of states or political subdivision or agencies thereof, the interest on which is exempt from federal income taxation, and which are valid at Count "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

AA. "Registrar" means the Registrar for the Bonds which shall be appointed by respective resolutions supplemental hereto.

BB. "Replacement Fund" means the Sewer System Replacement Fund continued in Section 4.01(A).

CC. "Resolution," regardless of whether preceded by the article "the" or "this," means this Resolution as it may hereafter from time to time be amended or supplemented.

DD. "Reserve Account" means the Series 1989 Bond Reserve Account established with the West Virginia Municipal Bond Commission, by Section 4.01(B)(i).

EE. "Revenue Fund" means the Sewer Revenue Bond Revenue Fund continued in Section 4.01(A).

FF. "Secretary" means the Secretary of the District.

GG. "State" means the State of West Virginia.

HH. "Supplemental Resolution" means any resolution amendatory hereof or supplemental hereto and, when preceded by the article the, refers specifically to the supplemental resolution authorizing the sale of the Original Bond to the Government; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

II. 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 or neuter gender shall include all other genders.

JJ. Additional terms and phrases are defined in this Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with general accepted accounting principles.

KK. The terms herein, hereunder, hereby, hereto, hereof and any similar terms refer to this Resolution; and the term hereafter means after the date of the adoption of this Resolution.

LL. Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.02. Authority of This Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared that:

(A) The District now owns and operates a sewerage system, furnishing sewer service to residences, premises and businesses residing or located within and without the area of the District, the acquisition and construction of certain improvements and extensions thereto being permanently financed by the issuance of the Original Bond to the Government.

(B) The acquisition and construction of the System was financed in part with the proceeds from \$1,326,000 in principal amount of the District's Prior Bonds, authorized pursuant to the Prior Resolution.

(C) The Prior Bonds of the District are currently outstanding in the principal amount of \$1,181,956.11.

(D) The District derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not pledged or encumbered in any manner.

(E) Prior to the issuance of the Bonds, the District shall have applied to the registered owner of the Prior Bonds and received permission to issue the Bonds on a parity as to security and source of payment for the Prior Bonds. The District hereby determines that it has received said permission and is not required to meet the parity test set forth under the Prior Ordinance.

(F) It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the District that there be constructed certain improvements and extensions to the System in accordance with the plans and specifications prepared by the Consulting Engineers, which Project is generally described in Exhibit A attached hereto and by this reference made a part hereof.

(G) The estimated maximum cost of the construction of the Project is \$300,000, which will be permanently obtained from the proceeds of the Original Bond herein authorized.

(H) The period of usefulness of the System after completion of the Project will not be less than forty years.

(I) The estimated Gross Revenues to be derived in each year after the issuance of the Original Bond from the operation of the System will be sufficient to pay all the cost of the operation and maintenance of said System, the principal of and interest on the Prior Bonds, the principal of and interest on the Original Bond authorized to be issued pursuant to this Resolution and all sinking fund, reserve and other payments provided for in the Prior Resolution and in this Resolution.

(J) Upon the issuance of the Original Bond, the District will grant the Government a first parity lien on the Net Revenues of the System.

(K) It is deemed necessary for the District to issue its Original Bond, in part to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the arbitration award; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the cost of interim financing for such Project; interest on the Original Bond, prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys;

expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Original Bond, and such other expenses as may be necessary or desirable to said acquisition and construction of the Project and placing the same in operation and the financing authorized by this Resolution.

(L) The District has complied with all requirements of West Virginia law relating to the authorization of the construction, acquisition and operation of the Project and issuance of the Original Bonds, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal having expired.

Section 1.04. Resolution Constituting Contract. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the District and such Bondholders, and the covenants and agreements herein set forth to be performed by said District shall be for the equal benefit, protection and security of the Registered Owners of such Bonds.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS
AND IMPROVEMENTS TO THE SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the construction and acquisition of the Project in accordance with plans and specifications therefor prepared by the Consulting Engineers.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

Section 3.01. Authorization of the Original Bond. Subject and pursuant to the provisions hereof, the Bond of the District to be known as "Warm Springs Public Service District Sewer Revenue Bond, Series 1989" (the "Original Bond") is hereby authorized to be issued in an aggregate principal amount not to exceed Three Hundred Thousand Dollars (\$300,000) for the purpose of permanently financing a portion of the Costs of the Project.

Section 3.02. Description of Original Bond. The Original Bond shall be issued as a fully registered Bond in single form with a record of advances and a record of amortized installments attached, numbered R-1, not to exceed \$300,000, and shall be dated on the date of delivery thereof. The Bond shall bear interest from date of delivery on the amount outstanding, payable monthly, commencing 30 days from the date of the Bond, at a rate not to exceed five and seven-eighths per centum (5.875%) per annum, and shall be sold for the par value thereof.

The Original Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District, shall be payable as provided in the Bond form hereinafter set forth and shall be subject to the other terms and provisions set forth in the Bond.

Section 3.03 Execution of the Bonds. The Bonds shall be executed in the name of the District by the Chairman, and the seal of the District 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 Bonds shall cease to be such officer of the District before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bond shall hold the proper office in the District, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on

such Bond, substantially in the form set forth herein, shall have been duly manually executed by the Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered, and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability; Registration. The Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Bondholder, in accepting any said Bond, shall be conclusively deemed to have agreed that such Bond shall be, and have all of the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State, and each successive Bondholder 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 any of the Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer the Bonds. Notwithstanding the foregoing, the Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon the transfer of a Bond, there shall be issued at the option of the Bondholder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond.

In all cases in which the privilege of exchanging Bonds or transferring the Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer shall forthwith be cancelled by the Registrar. For every such transfer of Bonds, the Registrar may make a charge sufficient to reimburse his office for any tax, fee or other governmental charge required to be paid with respect to such transfer and the cost of preparing each new Bond upon each transfer, and any other expenses of said Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer; provided, the District shall pay any such expenses incurred in connection with a transfer or exchange by the Government. The Registrar shall not be obligated to make any such transfer of Bonds during the ten (10) days preceding any interest payment on the

Bonds or after notice of any prepayment or redemption of the Bonds has been given.

Any registration or transfer of registration of Bonds shall include supplying the Registrar with a Federal Employer Identification Number of the Bondholder (or comparable identifying information if the Bondholder is not a corporate entity) and such other information and shall comply with such other requirements as shall be determined by nationally recognized bond counsel to be necessary to render the interest on the Bond exempt from federal income taxation.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may prescribe and paying such expenses as the District may incur. Any Bond so surrendered shall be cancelled by the Registrar and held for the account of the District. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen, or destroyed, without surrender therefor.

Any such duplicate Bond issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the District, whether or not the lost, stolen or destroyed Bond be at any time found by any one, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other Bonds issued hereunder.

Section 3.07. Form of Bond. Subject to the provisions of this Resolution, the text of the Original Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Resolution, the Supplemental Resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Single, Fully Registered Bond)

No. R-1

WARM SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1989

\$ _____

Date _____

FOR VALUE RECEIVED, the WARM SPRINGS PUBLIC SERVICE DISTRICT (herein called the "Borrower"), promises to pay to the order of the United States of America, Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), at _____, or at such other place as the Government may hereafter designate in writing and in the manner provided below, the principal sum of _____ Dollars (\$ _____), plus interest on the unpaid principal balance at the rate of _____ per centum (_____%) 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 Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and installments of \$ _____, 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 herein below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Extra payments, as defined in the regulations of the Farmers Home Administration, 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.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security or other instrument executed in connection with the loan evidenced

hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government. The Borrower has granted to the Government a lien on the proceeds of the Bond until such proceeds are expended for authorized purposes.

This Bond is issued to permanently finance a portion of the cost of construction and acquisition of certain extensions, additions, betterments and improvements to the District's sewerage system (the "Project") (the Project, together with the existing sewerage system of the District and any further improvements and extensions thereto, herein called the "System") under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended, and a resolution duly adopted by the Public Service Board of the Warm Springs Public Service District on the _____ day of _____, 1989, as supplemented by a resolution duly adopted by said Public Service Board on the _____ day of _____, 1989 (herein collectively called the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH THE LIEN OF AND SOURCE OF PAYMENT FOR AND SECURITY WITH THE DISTRICT'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1977 DATED AUGUST 15, 1978 ISSUED IN THE PRINCIPAL AMOUNT OF \$1,326,000 ("THE PRIOR BONDS").

This Bond is payable only from and secured by a pledge of a first parity lien on the net revenues to be derived from the operation of the System of the Borrower, which net revenues shall be sufficient to pay the principal of, and interest on, this Bond, the Prior Bonds and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted as provided in the Prior Resolution and to the Government as provided herein and in the Resolution. This Bond does not constitute an indebtedness of the Warm Springs Public Service District within the meaning of any constitutional or statutory provisions or limitations, nor shall the Borrower be obligated to pay the same or the interest hereon except from the Net Revenues as defined in the Resolution, derived from the operation of said System. The Borrower in said Resolution has covenanted and agreed that the schedule of rates or charges from time to time

in effect shall be sufficient to provide for all reasonable operating expenses of the System, to pay all debt service on the Prior Bonds and to leave a balance each year equal to at least 110% of the average annual debt service on this Bond and any other bonds on a parity with this Bond then outstanding and of the average annual debt service of any other obligations payable from the revenues of the System of the Borrower. Said Borrower has entered into certain further covenants with the owner of this Bond for the terms of which reference is made to said Resolution. Remedies provided the owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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.

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.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said District, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the net revenues of the System of said District have been pledged to and will be set aside into said special fund by said District for the prompt payment of the principal of and interest on this Bond.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, the said Warm Springs Public Service District has caused this Bond to be signed by its Chairman, attested by its Secretary and its corporate seal to be impressed hereon, all as of the date first written above.

WARM SPRINGS PUBLIC SERVICE
DISTRICT

(Name of Borrower)

(Signature of Executive Official)

[SEAL]

Chairman
(Title of Executive Official)

(Street Address)

(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Bond described in the within-mentioned Resolution and has been duly registered as of the date set forth below in the name of the United States of America, Farmers Home Administration, United States Department of Agriculture.

Registrar

By: _____
Its Authorized Officer

Dated: _____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the _____, dated _____, of _____, and does hereby irrevocably constitute and appoint _____, attorney to transfer said Bond on the books of said _____ with full power of substitution in the premises.

DATED: _____

IN THE PRESENCE OF: _____

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; REBATE FUND

Section 4.01. Establishment of Funds and Accounts with the Depository Bank.

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

(i) Revenue Fund (established by the Prior Resolution);

(ii) Replacement Fund (established by the Prior Resolution);

(iii) Construction Trust Fund.

B. The following special funds are hereby established with the Commission:

(i) With respect to the Bonds or the Bond, the Series 1989 Bond Reserve Account.

Section 4.02. System Revenues and Application Thereof. So long as any of the Bonds shall be outstanding and unpaid, the District covenants with the Holders of the Bonds as follows:

A. Disposition of System Revenues. The District shall first deposit the Gross Revenues in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner herein provided. All revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority.

(1) First, from the moneys in the Revenue Fund, the District shall pay all Operating Expenses of the System.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the District shall on the first day of each month and simultaneously with the payment described in Section 3.02 (B)(2) of the Prior Resolution, commencing 30 days following delivery of the Original Bond, apportion and set apart out of the Revenue Fund and remit to the office and place designated by the Original Bond (herein called the "Sinking Fund") the monthly payment of interest or of principal and interest set forth in the Original Bond form hereinabove set forth, such

amount or amounts being the amount required to pay the interest on the Original Bond and to amortize the principal of the Original Bond over the life of the Original Bond; provided however, that the deposits to the Sinking Fund constitute actual payments of principal and interest. The amounts required for principal and interest payments on Bonds issued hereunder other than the Original Bonds shall be deposited in a sinking fund created by supplemental resolution.

(3) The District shall next transfer from the Revenue Fund, simultaneously with the transfer described in Section 3.02(B)(3) of the Prior Resolution and deposit in a Reserve Account on the first day of each month of each year, beginning with and including the month in which payments from the Revenue Fund for interest are commenced, an amount equal to one-tenth ($1/12$ of $1/10$) of all amounts required for maturing principal and interest in that year: Provided, however, that no further payments shall be made into said Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the maximum amount of principal and interest which will mature and become due on said Bonds in any succeeding fiscal year.

Moneys in the Reserve Account shall be used only for the purpose of payment of maturing principal of or interest on the Bonds when moneys in the Revenue Fund or, in the case of Bonds other than the Original Bonds, the funds in the sinking fund created by Supplemental Resolution are insufficient therefor and for no other purpose.

Any withdrawals from the Reserve Account shall be subsequently restored from the first revenue available after all required payments to the Sinking Fund and Reserve Account, including any deficiencies for prior payments, have been made in full.

As and when additional Bonds ranking on a parity with the Original Bond are issued, provision shall be made by Supplemental Resolution for additional payments sufficient to pay the interest on such additional parity Bonds and to accomplish retirement thereof at or before maturity and to accumulate a balance in the Reserve Account in an amount equal to the maximum provided and required to be paid in principal and interest in any calendar year for account of all the Bonds.

(4) Thereafter, the District shall next, on the first day of each month commencing with the first month in which interest shall be payable from the Revenue Fund, remit the moneys remaining in said Revenue Fund to the Depository Bank for deposit in the Replacement Fund. No further payments shall be required to be made into said Replacement Fund when there shall have been deposited therein, and so long as there

shall remain on deposit therein, the aggregate sum of \$5,000 and thereafter such sums as shall be required to maintain such amount therein. All funds in said Replacement Fund shall be kept apart from all other municipal funds, and all or any part of said fund may be invested as provided by Article VIII. Withdrawals and disbursements may be made from said Replacement Fund for replacements, emergency repairs, additions, betterments or improvements to the System, deficiencies in the payment of principal and interest on the Original Bond, or debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such additions, betterments or improvements.

(5) If all of the above required payments are then current, the District may use any moneys remaining in the Revenue Fund for the following purposes: (a) for prepayment of the amount, or any part thereof, of the Bonds outstanding in accordance with the terms thereof, (b) additions, betterments or replacements to the System which the Consulting Engineers certify are needed and/or (c) payments of principal and interest on subordinate sewer revenue bonds or other obligations which may hereafter be issued by the District.

All of the funds provided for above shall constitute trust funds and shall be used only for the purposes provided herein.

(6) The moneys in excess of the sum insured by the maximum amounts insured by the Federal Deposit Insurance Corporation in the Revenue Fund, in the Reserve Account and in the Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or such other obligations as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

(7) If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds on the subsequent payment dates.

Section 4.03. Excess Bond Proceeds. The District shall place any excess proceeds from the Original Bonds not required by the Project in the Reserve Fund.

ARTICLE V

APPLICATION OF BOND PROCEEDS

Section 5.01 Application of Original Bond Proceeds.
The moneys received from the sale of any or all of the Original Bonds shall be deposited by the District in the Construction Trust Fund.

Section 5.02 Construction Trust Fund.

Bond proceeds and other funds shall be deposited with the Depository Bank in a special fund to be known as the "Construction Trust Fund," which fund shall be kept separate and apart from all other funds of the District, and shall be drawn out, used and applied by the District solely for the payment of the costs of the construction and acquisition of the Project and purposes incidental thereto, and for no other purposes whatsoever. The moneys in said fund shall be secured at all times by the deposit by such bank, as security, of Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the Federal Deposit Insurance Corporation. Any moneys not needed immediately for said purposes may, with the consent of the Consulting Engineers, be invested pursuant to Article VIII. If for any reason the amounts on deposit in the Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the District in the Reserve Account or as provided by Supplemental Resolution. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Original Bond herein authorized.

Expenditures or disbursements from said Construction Trust Fund, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Original Bond shall be made only after such expenditures or disbursements shall have been approved in writing by the Consulting Engineers, the Public Service Board and the Government.

ARTICLE VI

ADDITIONAL COVENANTS OF THE DISTRICT

Section 6.01. General Covenants of the District. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the District and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the District hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Bonds or the interest thereon is outstanding and unpaid or until there shall have been set apart in the Reserve Account or Sinking Fund and Reserve Account with respect to other bonds, a sum sufficient to pay when due, defease or to prepay, the entire principal amount of the Bonds remaining unpaid, together with interest accrued and to accrue thereon.

Section 6.02. Bonds Not To Be Indebtedness of the District. The Bonds shall not be nor constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from a pledge of a second lien on the Net Revenues of the System, as herein provided. No Holder or Holders of any Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the District to pay said Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues; Statutory Mortgage Lien. The payment of the debt service of all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a parity lien with the Prior Bonds on the Net Revenues derived from the operation of System, to the extent necessary to make the payments required under Section 4.01. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds herein authorized, and to make the payments into the Reserve Account and all other payments provided for in the Prior Resolution and in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution, to the payment of the principal of and interest on the Prior Bond and the Bonds herein authorized as the same become due, and for the other purposes provided in the Prior Resolution and in this Resolution.

For the further protection of the holder of the Bonds, the statutory mortgage lien upon the System created by Chapter 16, Article 13A, Section 19, of the Code of West Virginia, 1931, as amended, is hereby specifically recognized by the

District and said lien is on a parity with the lien of the Prior Bonds.

Section 6.04. Rates. The rates and charges approved by the Public Service Commission of West Virginia in the Final Order for Case No. 88-363-S-CN, dated May 31, 1989, are hereby adopted and ratified and ordered to be placed into effect in accordance with the Public Service Commission Rules. The rates are set forth as Exhibit B attached hereto and incorporated herein. The schedule of rates and charges shall at all times be sufficient to pay the Operating Expenses of the System, provide an adequate Reserve Account and adequate Replacement Fund and pay the principal of and interest on all Bonds issued hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the District hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable Operating Expenses of the System, and (ii) to leave a balance each Fiscal Year equal to the maximum amount required in any succeeding Fiscal Year for the payment of principal of and interest on the Prior Bonds and to leave a balance each Fiscal Year equal to at least 110% of the average annual debt service on the Bonds Outstanding and of the average annual debt service of any other obligations of the District.

Section 6.05. Completion, Operation and Maintenance. The District will expeditiously complete the Project in accordance with the plans and specifications prepared by the Consulting Engineers, subject to changes permitted by the District and the Government, and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Resolution.

Section 6.06. Sale of the System. So long as the Original Bond is Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of or encumbered only with the written consent of the Government, and such consent will specify the disposition of any such sale or transfer. So long as the Prior Bonds are Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of only in accordance with the terms of the Prior Resolution and with the prior written consent of the Government.

Section 6.07. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever, except *pari passu* additional bonds ("Additional Bonds") provided for in Section 6.08 hereof, payable from the revenues of the System which rank prior to, or equally, as to lien on, and source of and security for payment from, such revenues with the Original Bond; and all obligations hereafter issued by the District payable from the revenues of the System, except such Additional Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, and source of and security for payment from, such revenues and in all other respects, to the Original Bond, and as long as the Prior Bonds are outstanding, the Additional Bonds will be junior and subordinate to both the Prior Bonds and the Original Bond.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Original Bond, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Original Bond and the interest thereon in this Resolution, or upon the System or any part thereof, except as provided in Section 6.08.

Section 6.08. Issuance of Additional Bonds. No Additional Bonds, as in this section defined, payable out of the revenues of the System, shall be issued after the issuance of the Original Bond pursuant hereto, except under the conditions and in the manner herein provided.

(A) No such Additional Bonds shall be issued without the written consent in advance of the Government. No such Additional Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, additions, betterments and improvements to the System or refunding one or more series of Bonds issued hereunder, except as provided in subsection (F) of this section.

(B) No such Additional Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written certification by a certified public accountant not in the regular employ of the District, based upon the necessary investigation, reciting the conclusion that the Net Revenues actually derived from the System during the Fiscal Year immediately preceding the date of the issuance of such Additional Bonds shall have been not less than one hundred twenty percent (120%) of the average aggregate amount which will mature or become due in any succeeding Fiscal Year for principal of and interest on the Prior Bonds, if outstanding, on the Original Bond and on all Bonds of all other outstanding series on a parity with the Original Bond and on

the Additional Bonds then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing 75% of each series of the then Outstanding Bonds issued pursuant hereto.

(C) Prior to or concurrently with the issuance of any such Additional Bonds, the District shall have entered into written contracts for the immediate acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Additional Bonds.

(D) The term "Additional Bonds," as used in this section, shall be deemed to mean Additional Bonds issued under the provisions and within the limitations of this section, payable from the revenues of the System on a parity with the Original Bond, and all the covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of any Bonds issued pursuant to this Resolution and the Holders of any Additional Bonds subsequently issued within the limitations of and in compliance with this section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from said Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds, either new or created herein, required for such Additional Bonds, in addition to the payments required for the Prior Bonds, and the Original Bond originally issued hereunder. Redemption of Bonds prior to maturity, in the event that the Original Bond and Additional Bonds hereby authorized are Outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each issue.

(E) No Additional Bonds shall be issued at any time unless all the payments into the respective funds provided for herein on Bonds then Outstanding and all other payments provided for herein shall have been made or paid up as required to the date of issuance of the Additional Bonds and the District shall have fully complied with all the covenants, agreements and terms hereof or shall have remedied any deficiency in such compliance.

(F) With the written consent in advance of the Government, and anything to the contrary in subsections (A), (B) and (C) of this section notwithstanding, Additional Bonds may be authorized and issued by the District pursuant to a supplemental ordinance in the event that the Original Bond should be insufficient, together with other funds lawfully available therefor, to pay or provide for all costs of construction of the Project. Any such Additional Bonds authorized and issued under the provisions of this subsection

shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such Additional Bonds shall be in years and amounts suggested by the Government.

Section 6.09. Insurance and Bonds. The District hereby covenants and agrees that, so long as the Bonds remain Outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, on all aboveground insurable portions of the System in an amount equal to the greater of the actual cost or the fair market value thereof. In the event of any damage to or destruction of any portion of the System, the District will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The District will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the District during construction of the Project in the full insurable value thereof.

(B) Public Liability Insurance, with limits of not less than \$500,000 for personal liability to protect the District from claims for bodily injury and/or death and not less than \$200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

(C) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District, with limits of not less than \$500,000 for personal liability to protect the District from claims for bodily injury and/or death and not less than \$200,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(D) Workers' Compensation Coverage for All Employees of the System Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the District, and such payment bonds will be filed with the Clerk of The County Commission of Morgan County prior to commencement of construction of the Project in

compliance with the West Virginia Code, Chapter 38, Article 2, Section 39.

(E) Fidelity Bonds will be provided as to every officer and employee of the District having custody of the Revenue Fund or of any other funds or valuable property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as the Government holds any of the Bonds, the District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District, and during such construction will require each prime contractor to carry insurance, of such types and in such amounts as the Government may specify, as long as such amounts are not less than any amounts acquired by the Prior Resolution if the Prior Bonds are outstanding, and with insurance carriers or bonding companies acceptable to the Government.

Section 6.10. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof, and all records, accounts and data of the District relating thereto.

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

The District shall, at least once a year, cause the books, records and accounts of the System to be audited by an Independent Certified Public Accountant and shall mail the report of said Independent Certified Public Accountant to the Government and, upon request, to any other Holder or Holders of

the Bonds. The Government, so long as it holds all the Bonds, may permit substitution of a copy of the annual audit report by the office of the State Tax Commissioner for the copy of an annual audit report by an Independent Certified Public Accountant.

The District shall retain all records, books and supporting material for a period of three years after the issuance of such audit reports and financial statements, and such material, upon request, will be made available to the Government, the Controller General of the United States of America or their representatives.

Section 6.11. Fiscal Year; Budget. While the Original Bond is Outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each Fiscal Year, the District agrees to adopt the annual budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of such annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Council. Copies of each annual budget shall be delivered to the Government by the beginning of each Fiscal Year.

If for any reason the District shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the adoption of the annual budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a budget of current expenses shall not constitute compliance with the covenant to adopt an annual budget unless the District's failure to submit an annual budget shall be for a reason beyond the control of the District. Each such budget of current expenses shall be delivered and mailed immediately as in the case of the annual budget.

Section 6.12. Services Rendered to the District. The District will not render or cause to be rendered any free services of any nature by its System; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its

general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Revenues derived from such operation of the System.

Section 6.13. Enforcement of Collections. The District will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent, to the full extent permitted or authorized by the laws of the State.

The District further covenants and agrees that it will, to the full extent permitted by law, and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System for nonpayment of the fees, rentals or other charges for the services and facilities of the System, and will not restore such services until all delinquent charges for the services and facilities of all parts of the System, plus reasonable penalties and charges for the restoration of service, have been fully paid.

Section 6.14. No Competing Franchise. To the extent allowable by law, the District will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality, for the providing of any services which would compete with services provided by the System.

Section 6.15. Consulting Engineer. The District will retain recognized, qualified independent Consulting Engineers on an annual basis to supervise generally the operation, maintenance and renewal of the System, and to report annually to the District in writing their recommendations and comments as to the System. Such annual report of the Consulting Engineers, or a summary thereof, shall be made available at reasonable times to the Government and to any Bondholder requesting the same.

Section 6.16. Tax Covenants. The District hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The District shall assure that (i) not in excess of 10% of the Net Proceeds of the 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 Bonds during the term thereof is, under the terms of the 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 District, 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 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 Bonds during the term thereof is, under the terms of the 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 District, 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 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 Bonds are 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.

B. PRIVATE LOAN LIMITATION. The District shall assure that not in excess of the lesser of 5% of the Net Proceeds of the 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 District 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

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

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

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of the principal of any of the Bonds either at the date therein specified for its payment or on the date fixed for redemption by proceedings for redemption, or otherwise;

(B) Failure to make payment of any installment of interest due on any of the Bonds on the date specified for the payment of such interest;

(C) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the District contained in the Bonds, or in this Resolution, or violation of or failure to observe any provision of any pertinent law, provided, that a default under any other agreement the District has with the Government constitutes a default hereunder, and provided that any such failure or violation, excluding those covered in (A) and (B) above in this section, must continue for a period of thirty (30) days after written notice shall have been given to the District by any Bondholder specifying such failure or violation and requiring the same to be remedied.

(D) If the District files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Section 7.02. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, if the Government is the Holder of any of the Bonds outstanding, the Government, at its option, may:

(A) Declare the entire principal amount of the Bonds held by it then outstanding, and any interest accrued thereon, immediately due and payable;

(B) For the account of the District, incur and pay reasonable expenses for repair, maintenance and operation of the System and such other reasonable expenses as may be necessary to cure the cause of default; or

(C) Take possession of the System and repair, maintain and operate or otherwise dispose of such facilities.

Section 7.03. Remedies and Appointment of Receiver. Any Bondholder may, by proper legal action, compel the

performance of the duties of the District under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System, and segregation of the revenues therefrom and the application thereof. Upon the happening of an Event of Default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and the interest thereon, the deposits into the funds and accounts hereby established as herein provided, and the payment of Operating Expenses of the System, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Bonds issued pursuant to this Resolution, and interest thereon, and under any covenants of this Resolution for reserve, sinking or other funds, and upon any other obligations having a charge, lien or encumbrance upon the revenues of the System, and interest thereon, shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent Event of Default, any Holder of Bonds issued pursuant to this Resolution shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and holders of Bonds issued pursuant to this Resolution. Such receiver shall

have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the District and Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

ARTICLE VIII

INVESTMENTS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the West Virginia Municipal Bond Commission or the Depository Bank, as the case may be, at the direction of the District in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section and in Sections 8.03 and 8.04.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount. The District shall direct the Depository Bank to sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account regardless of the loss on such liquidation. The Depository Bank may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or wilful misconduct.

The following specific provisions shall apply with respect to any investments made under the section:

A. Qualified Investments acquired for the Reserve Account shall have maturities or be subject to redemption at the option of the holder within five (5) years from the date of acquisition provided that all investment earnings on moneys in the Reserve Account shall be transferred, not less than once a year, to the Revenue Fund and applied in full to the next ensuing principal payment due on the Bonds.

B. Qualified Investments acquired for the Replacement Fund shall have maturities or be subject to redemption at the option of the holder within ten (10) years from the date of acquisition.

C. Qualified Investments may be purchased for the Reserve Account or the Replacement Fund either in the open market or from the Construction Trust Fund. If so purchased from the Construction Trust Fund, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

Section 8.02 Arbitrage. The District covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the District's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, 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 Bonds) so that the interest on the 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 8.03. Rebate of Excess Investment Earnings to the United States.

A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than \$100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the District shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on the last day of each Bond Year or on the preceding business day in the event that such last day is not a business day, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the District on such date shall be credited by an amount equal to the amount so transferred.

B. DUTIES OF DISTRICT IN GENERAL. The District shall calculate Excess Investment Earnings in accordance with

Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the District shall calculate, and shall provide written notice to the Original Purchaser and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the District shall calculate, and shall provide written notice to the Purchaser and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the District in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date of the Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than \$100,000.

D. PAYMENT TO THE UNITED STATES. The District shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The District shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Bonds, the District shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Depository Bank shall pay said amounts to the District to be used for any lawful purpose of the System. The District shall remit payments to the United States 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. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the District shall assure that such payments are made by the District to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATIONS OF DISTRICT. The District shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the District shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be

made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The District shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the District and the Depository Bank (at the expense of the District) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the District or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the District further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Modification or Amendment. No material modification or amendment of this Resolution or of any ordinance or resolution amendatory hereof or supplemental hereto shall be made without the consent in writing of the Holders of two-thirds or more in principal amount of the Bonds then outstanding; provided, however, that no change shall be made in the maturity of any Bond or Bonds, or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the District to pay such principal of and interest on the Bonds as the same shall become due out of the Net Revenues. Notwithstanding the above, no amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above permitted amendments or modifications, or for consent of 75% of the Holders of each series of Bonds outstanding to waiver or modification of the limitation upon issuance of Additional Bonds contained in Section 6.08.

Section 9.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

Section 9.03. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 9.04. Award and Delivery of Original Bond No. R-1. The Chairman and the Secretary of the District are hereby authorized and directed to cause Bond No. R-1, representing all the Original Bond issue, hereby awarded to the Government pursuant to agreement, to be delivered to the Government as soon as the Government will accept such delivery and pay for Bond No. R-1.

Section 9.05. Repeal of Conflicting Resolutions. All resolutions and orders, or parts thereof, other than the Prior Resolution, in conflict with this Resolution are to the extent of such conflict repealed; provided, however, that any loan resolution, or part thereof, adopted by the District on Form FmHA 442-47 shall not be repealed hereby.

Section 9.06. Covenant of Due Procedure. The District covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the final adoption and passage of

this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, the Secretary and members of the Public Service Board of the District were at all times when any actions in connection with this Resolution occurred, and are, duly in office and duly qualified for such office.

Section 9.07. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the respective pledges of Net Revenues, Original Bond proceeds and other moneys and securities pledged under this Resolution, and all covenants, agreements and other obligations of the District to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited irrevocably in trust with the Depository Bank at the same or earlier time, shall be sufficient, to pay as and when due the principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All 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 in trust with the Depository Bank either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited irrevocably in trust with the Depository Bank at the same time, shall be sufficient, to pay when due the principal of and interest due and to become due on said Bonds on and prior to the maturity dates thereof. Neither securities nor moneys deposited irrevocably in trust with the Depository Bank 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 of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited irrevocably in trust with the Depository Bank if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on said Bonds on and prior to such maturity dates thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by said Depository Bank,

free and clear of any trust, lien or pledge. In the case of Bonds, other than the Original Bonds, such deposits shall be made pursuant to and with the institution named in the Act or on agent thereof. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 9.08. Effective Date. This Resolution shall take effect after passage.

Dated: August 3, 1989

Earl T. Andrews
Chairman

[SEAL]

Burton C. English
Member

Ronald L. Reeder
Member

EXHIBIT A

PROJECT DESCRIPTION

The Warm Springs Public Service District Project includes the payment of the balance due to the Phase I contractor under an arbitration award, replacement and modification of sludge system, replacements and repairs to manholes, including proper sealing, replacement of defective sections of existing interceptors and all appurtenances related thereto.

EXHIBIT B
WARM SPRINGS PUBLIC SERVICE DISTRICT
CASE NO. 88-363-S-CN

STAFF RECOMMENDED TARIFF
SCHEDULE NO. 1

Applicable inside and outside of the boundaries of the District.

AVAILABILITY OF SERVICE

Available for sanitary sewer service.

RATE (Based on water consumption of metered waste placed in the sewer system.)

First	3,000 gallons used per month	\$4.57 per 1,000 gallons
Next	4,000 gallons used per month	\$4.28 per 1,000 gallons
Next	5,000 gallons used per month	\$3.83 per 1,000 gallons
Next	8,000 gallons used per month	\$3.31 per 1,000 gallons
All Over	20,000 gallons used per month	\$2.97 per 1,000 gallons

MINIMUM RATE

No bill will be rendered for less than \$13.71 per month.

TAP FEE

\$250.00

DELAYED PAYMENT PENALTY

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

TYPES OF DISCHARGE PROHIBITED

There shall be no connection of roof downspouts, foundation drains, area way drains, or other sources of surface run-off or ground water to a building drain or building sewer which in turn is connected directly or indirectly to the sanitary sewerage system. There shall be no radioactive wastes, oils, flammable or explosive substances, or any other material discharged directly or indirectly into the system which may have a harmful effect on the wastewater treatment facilities.

Flat Rate

Berkeley Springs State Park -- \$229.17

(N) RECONNECTION FEE

\$20.00 -- This fee is to be collected from sewer customers whose water service has been disconnected by the Town of Bath, for nonpayment of sewer bills, according to a termination agreement approved by the Public Service Commission.

(N) Indicates New

WARM SPRINGS PUBLIC SERVICE DISTRICT
CASE NO. 88-363-S-CN

STAFF RECOMMENDED TARIFF
SCHEDULE NO. 2

Applicable inside and outside of the boundaries of the District.

AVAILABILITY OF SERVICE

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

FLAT RATE

\$13.71 per month.

DELAYED PAYMENT PENALTY

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

TYPES OF DISCHARGE PROHIBITED

There shall be no connection of roof downspouts, foundation drains, area way drains, or other sources of surface run-off or ground water to a building drain or building sewer which in turn is connected directly or indirectly to the sanitary sewerage system. There shall be no radioactive wastes, oils, flammable or explosive substances, or any other material discharged directly or indirectly into the system which may have a harmful effect on the waste water treatment facilities.

(N) RECONNECTION FEE

\$20.00 -- This fee is to be collected from sewer customers whose water service has been disconnected by the Town of Bath, for nonpayment of sewer bills, according to a termination agreement approved by the Public Service Commission.

(N) Indicates New

RESOLUTION AWARDING THE WARM SPRINGS PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, SERIES 1989 IN THE PRINCIPAL AMOUNT OF \$300,000 AND FIXING THE RATE OF INTEREST THEREON

WHEREAS, the Public Service Board of Warm Springs Public Service District (the "District"), by Bond Resolution heretofore duly adopted on the 3rd day of August, 1989, authorized, among other things, the issuance of a single, fully registered Sewer Revenue Bond, Series 1989, of the District in the principal amount of not more than \$300,000; and

WHEREAS, the United States Department of Agriculture, Farmers Home Administration, has offered to purchase the Bond of the District, in the principal amount of \$300,000, to be issued at an interest rate of five and seven-eighths per centum (5.875%) per annum, and it is in the best interests of the District to accept such offer;

NOW, THEREFORE, Be It Resolved by the Public Service Board of Warm Springs Public Service District, as follows:

(1) Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the \$300,000 Sewer Revenue Bond, Series 1989 (the "Bond"), and numbered R-1, of the District, all in the form and having the provisions set forth below and in the Resolution.

(a) Bond R-1 shall be issued as a fully registered Bond, fully registered to the United States Department of Agriculture, Farmers Home Administration, (the "Original Bond Purchaser"). The Bond shall be dated on the date of delivery thereof; shall bear interest from the date of delivery, payable monthly, commencing thirty days following delivery of the Bond, at a rate of five and seven-eighths per centum (5.875%) per annum. Interest on the Bond shall commence thirty days following delivery of the Bond and continue on the corresponding day of each month for the first twenty-four months after the date of the Bond, and installments of \$1,626, 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 the Bond, in the sum of the unpaid principal and interest due on the date thereof. The Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District.

(b) The offer of the Original Bond Purchaser to purchase the Bond pursuant to the Resolution, is hereby accepted.

(2) All other provisions relating to the Bond shall be as provided in the Resolution, and the Bond shall be substantially in the form provided in the Resolution, with such changes, insertions and omissions that may be approved by the Chairman of the District. The execution of the Bond by the Chairman shall be conclusive evidence of such approval.

(3) The District hereby approves and accepts the offer of the Farmers Home Administration to purchase the Bond. The execution and delivery by the Chairman and Secretary of the Bond and the performance of the obligations contained therein on behalf of the District are hereby authorized, approved and directed. The price of the Bond shall be Three Hundred Thousand Dollars (\$300,000) (100% of par value).

(4) The District hereby appoints and designates Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, as Depository Bank for the Revenue Fund and Depreciation Account, as provided in the Resolution.

(5) The District hereby appoints and designates Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, as Registrar for the Bond as provided in the Resolution.

(6) The Chairman and Secretary and other appropriate officers and employees of the District are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the issuance of the Bond hereby and by the Resolution approved and provided for, to the end that the Bond may be delivered on or about August 3, 1989, to the Original Bond Purchaser.

(7) The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Resolution until directed otherwise by the District.

(8) The District reasonably expects to expend all of the proceeds of the Bond within six months of the date thereof.

(9) The financing of the Project in part with the proceeds of the Bond is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

(10) This Supplemental Resolution shall be effective immediately upon adoption.

Resolution adopted August 3, 1989.

WARM SPRINGS PUBLIC SERVICE
DISTRICT

✓ BY Garret T. Andrews
Chairman

[SEAL]

Burton C. English
Member

Ronald L. Reeder
Member

00142

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: May 5, 1989

CASE NO. 88-363-S-CN

WARM SPRINGS PUBLIC SERVICE DISTRICT,
a public utility, Berkeley Springs,
Morgan County.

Application for a certificate of convenience
and necessity to construct and upgrade
sewerage facilities in Morgan County, and for
approval of rates and financing.

ORDER GRANTING CERTIFICATE OF CONVENIENCE
AND NECESSITY AND REQUIRING HEARING ON REQUESTED RATES

On August 15, 1988, Warm Springs Public Service District (District), a public utility, Berkeley Springs, Morgan County, filed an application, duly verified, for a certificate of convenience and necessity to upgrade its sewerage facilities by constructing a sludge dewatering system, interceptor replacement and gravity sewer lines, as well as appurtenant facilities, in Morgan County. The District estimated that construction would cost approximately \$300,000 and the District proposes to finance the project by borrowing the same amount from the Farmers Home Administration (FmHA). Warm Springs Public Service District also requested approval of increased rates and charges, designed to produce additional annual revenues of \$45,670, which the District represented would be sufficient to support its proposed borrowing.

The application stated that the plans and specifications for the project had been previously furnished to the Public Service Commission in the District's pre-filing, pursuant to West Virginia Code §16-13A-25. The District represented that there are no other public utilities, corporations or persons with whom the proposed construction would compete. Approval of the plans and specifications for the project has previously been given by the West Virginia Department of Natural Resources. The District also represented that no interim financing for the project would be necessary and that bids for the project had been advertised and would be received on August 25, 1988, with the acceptance date to be 120 days thereafter. The District represented that the bid results would be furnished to the Engineering Staff of the Commission, as well as any revised exhibits, if necessary. Attached to the application was a Rule 42 Exhibit prepared by the District's accountant, for the year ended June 30, 1987.

On August 19, 1988, the Public Service Commission issued a Notice of Filing order in this proceeding, directing Warm Springs Public Service District to give notice of the filing of the application by publishing a

Engineering Feasibility Report dated May 1988, the District's treatment plant is a 0.4 MGD activated sludge treatment plant. The present wastewater flow is 0.25 to 0.3 MGD in dry weather. Several years after the plant began operations, problems with the sludge dewatering system became evident. These problems included slow percolation of the sand, long drying periods and the backup of solids in the system waiting for the availability of the drying beds. The District's Engineer calculates that, at design capacity, proper dewatering of the sludge would require 25,705 square feet of total drying bed area, while, presently, only 4,000 square feet is available at the plant. Building additional sand drying beds was dismissed as an alternative since it would require more land than the District has available. Ms. Foster stated in her Memorandum that the information submitted on the project has shown adequate need for the proposed project. She also indicated that the West Virginia Departments of Health and Natural Resources have the primary responsibility for the design of sewer projects in the State and both of those agencies have approved the District's plans and specifications. Additionally, Ms. Foster indicated that her review of the plans and specifications revealed no obvious conflicts with the Public Service Commission's rules and regulations.

Ms. Foster also discussed the project's cost. The construction cost is estimated at \$190,015, which includes two contracts, one which was bid at \$89,571 and one which is estimated at \$100,445, to be constructed by the "force account method", by which the District does the work in-house with temporary help. The total project cost is still estimated at \$300,000. According to Ms. Foster, the project costs appear to be reasonable.

Ms. Foster also discussed the District's operation and maintenance expense budget. For the year ended June 30, 1988, at per books the District shows operation and maintenance expenses of \$139,949. According to Ms. Foster, the proposed project will reduce the amount of sewage which must be treated, by reducing the excessive inflow/infiltration into the system, and the new wedgewire bed system will shorten drying times, thus allowing more sludge to be dried, which should eliminate the back-up of solids the District is currently experiencing. Thus, Ms. Foster reasons that the District should experience a reduction in treatment expenses due to a reduction in flow. Commission Staff has not been able to obtain sufficient information from the District and its representatives to be able to determine what the actual cost savings will be. Commission Staff also believes, based on communications with various representatives of the District and equipment suppliers, that maintenance and polymer costs should also decrease with the wedgewire system. Since Staff cannot calculate an expense reduction at this time, Staff has not reduced the District's per books operation and maintenance expenses.

The District has also proposed to include expenses in the amount of \$7,849 per year in special services to pay for legal and accounting fees related to the project, over a two-year period. The reason for the two-year amortization is because money for the project is very tight, with only \$30,000 in total construction and project contingencies. Staff removed that amount from operation and maintenance expenses since the amount does not represent operation expense, but is an expense due to

its system as proposed, that the FmHA borrowing be approved and that the Staff recommended tariff be adopted.

On April 24, 1989, Counsel for Warm Springs Public Service District filed a letter in response to the Joint Staff Memorandum. Warm Springs Public Service District is requesting a hearing on the issue of appropriate rates and charges, because it believes that the Staff rates are not adequate for the District's accountant to certify that the operating expenses are covered, as required for the proposed financing, and Warm Springs Public Service District stated that its presently effective wages would not be covered under the Staff recommendations.

Upon consideration of all of the above, it appears that the public convenience and necessity require the project for which Warm Springs Public Service District has requested a certificate. The District's sewage treatment plant appears to be overburdened as a result of excessive inflow/infiltration and the proposed project should not only help alleviate the problem but may also result in a decrease in the District's operation and maintenance expenses upon completion of the project. Additionally, both the West Virginia Departments of Health and Natural Resources have reviewed the plans and specifications for the project and have issued the required permits and approvals for those plans and specifications, and the Commission Staff Engineer's review of the plans and specifications has revealed no obvious conflict with the Public Service Commission's own rules and regulations. Therefore, the project appears to be needed and designed in accordance with all appropriate engineering standards and requirements.

The project appears to be economically feasible since it is fully financed by an FmHA loan in the amount of \$300,000 and does not require interim financing. According to Commission Staff, the Staff recommended rates, which are significantly lower than the District's requested increased rates and charges, are adequate to cover all of the cash requirements of the District, including debt service requirements. Thus, the District's requested rates and charges should also provide adequate coverage of all cash requirements, including debt service requirements. Additionally, notice of the construction and the District's proposed increased rates and charges has been given to the affected public and there have been no written protests to either the project itself or the District's proposed increased rates and charges. Therefore, even though a final determination on rates and charges will not be made in this decision, a determination that the project is economically feasible, fully funded and supported by adequate rates and charges can and is being made in this decision.

Therefore, since the public convenience and necessity require the proposed project, since the project has been designed in accordance with all applicable engineering standards and requirements and since the project is economically feasible, fully funded and supported by adequate proposed rates and charges, a certificate of convenience and necessity will be granted to Warm Springs Public Service District for the construction of the project for which application was made to the Public Service Commission on August 15, 1988, incorporating any subsequent modifications to the project, submitted to Commission Staff, the West Virginia

Internal Memorandum attached thereto dated April 20, 1989 and Attachments).

3. The proposed project is estimated to cost \$300,000 and the Farmers Home Administration has committed to loan that amount to Warm Springs Public Service District, with repayment at an interest rate of 5.875% per annum for a term of thirty-eight years. (Joint Staff Memorandum filed April 21, 1989; Internal Memorandum dated March 31, 1989 from Charles Knurek, Utility Financial Analyst, attached thereto).

4. Notice of the District's application for a certificate of convenience and necessity to improve its sewage treatment facility was published in The Morgan Messenger, a newspaper published and of general circulation in Morgan County, as required by the Commission's Notice of Filing order of August 19, 1988, and no protests have been received in response thereto. (Certificate of Publication filed August 29, 1988).

5. The District has requested increased rates and charges which would result in increased operating revenues of approximately 23% per annum, while Commission Staff has recommended operating revenues representing an increase of 9.31% per annum, which Commission Staff represents would be adequate to support the project, which also indicates that the District's requested rates and charges would also be adequate to support the project, even though Commission Staff believes those rates to be excessive. (Joint Staff Memorandum filed April 21, 1989).

6. The District's requested increased rates and charges were published in toto in Morgan County, through the Commission's Notice of Filing order, and no protests from the District's customers have been received in response to the notice of those requested increased rates and charges. (Notice of Filing order issued August 19, 1988; Certificate of Publication filed August 29, 1988).

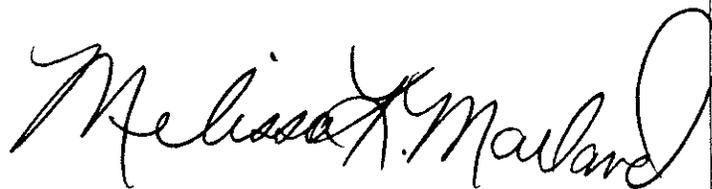
7. The 270-day statutory review period provided to the Public Service Commission pursuant to West Virginia Code §24-2-11 for reviewing certificate applications expires on May 12, 1989, and the Staff recommendation in this proceeding was not filed until April 21, 1989, virtually foreclosing the possibility of hearing prior to the expiration of the statutory review period on any disputed issues between Warm Springs Public Service District and Commission Staff.

CONCLUSIONS OF LAW

1. The project for which Warm Springs Public Service District has requested a certificate of convenience and necessity has been designed in accordance with all appropriate and applicable engineering standards and regulations.

2. The project for which Warm Springs Public Service District has requested a certificate of convenience and necessity is economically feasible, since it is fully funded by a loan from the Farmers Home Administration and will be supported by adequate rates and charges.

Rules of Practice and Procedure with the Executive Secretary of the Commission within ten (10) days after the date this order is mailed.



Melissa K. Marland
Chief Administrative Law Judge

MKM:dfs

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: May 31, 1989

CASE NO. 88-363-S-CN

WARM SPRINGS PUBLIC SERVICE DISTRICT,
a public utility, Berkeley Springs,
Morgan County.

Application for a certificate of convenience
and necessity to construct and upgrade
sewerage facilities in Morgan County, and for
approval of rates and financing.

RECOMMENDED DECISION

PROCEDURE

On August 15, 1988, Warm Springs Public Service District (District), a public utility, Berkeley Springs, Morgan County, filed an application, duly verified, for a certificate of convenience and necessity to upgrade its sewerage facilities by constructing a sludge dewatering system, interceptor replacement and gravity sewer lines, as well as appurtenant facilities, in Morgan County. The District estimated that construction would cost approximately \$300,000 and the District proposed to finance the project by borrowing the same amount from the Farmers Home Administration (FmHA). Warm Springs Public Service District also requested approval of increased rates and charges, designed to produce additional annual revenues of \$45,670, which the District represented would be sufficient to support its proposed borrowing.

By order entered on May 5, 1989, this Administrative Law Judge granted a certificate of convenience and necessity to Warm Springs Public Service District to upgrade its sewerage facilities by constructing a sludge dewatering system, interceptor replacement and gravity sewer lines, and appurtenant facilities, in Morgan County. Additionally, the ALJ approved the proposed financing, consisting of a \$300,000 loan at 5.875% interest, for a term of 38 years, from the Farmers Home Administration.

However, the ALJ did not approve increased rates and charges for the project in the order of May 5, 1989, and, instead, directed all parties to this proceeding to submit no less than three alternate hearing dates, as well as a recommendation on hearing location, to the Administrative Law Judge within two (2) weeks from the date of the decision, or on or before May 18, 1989, for the purpose of receiving testimony and evidence on the issue of appropriate rates and charges for Warm Springs Public Service District as a result of the certificated project.

Commission Staff and Warm Springs Public Service District met on the date of the issuance of the Final Order granting the requested certificate of convenience and necessity and they recommended hearing dates to the

Administrative Law Judge on that same date. Therefore, by order entered on May 5, 1989, the matter of appropriate rates and charges for Warm Springs Public Service District, to cover the project certificated by the order issued in this proceeding on May 5, 1989, was set for hearing to be held in the Commission's Hearing Room in the Public Service Commission Building, on May 22, 1989, at 9:30 a.m. The Notice of Hearing order further stated that the Commission would receive testimony and evidence on the issue of appropriate rates and charges for the District as a result of the project. Warm Springs Public Service District provided newspaper notice of the scheduled hearing date by publication on May 10 and May 15, 1989, in the Morgan Messenger, a newspaper published and of general circulation in Morgan County.

The hearing set for May 22, 1989, was held as scheduled, with T. D. Kauffelt appearing on behalf of Warm Springs Public Service District and Caryn Watson Short, of the Legal Division, appearing on behalf of Commission Staff. Warm Springs Public Service District presented the testimony of one witness and introduced four exhibits into evidence, while Commission Staff presented the testimony of one witness and requested permission to submit a post-hearing exhibit. As a result of the testimony of the Staff witness, it appeared that there was now an agreement between Warm Springs Public Service District and Commission Staff with regard to the issue of increased rates and charges for the District. (See, Tr., pp. 31-32). With the apparent agreement between Commission Staff and Warm Springs Public Service District, the hearing was submitted for a decision, pending receipt of the post-hearing exhibit, the transcript and a joint recommendation to be filed by Commission Staff and Warm Springs Public Service District with regard to whether or not the matter had actually been settled and concluded.

On May 25, 1989, Staff Attorney Caryn Watson Short submitted a Joint Staff Memorandum in this proceeding, attached to which were documents designated as Staff Post-hearing Exhibit No. 1 and Staff Post-hearing Exhibit No. 2. Staff Post-hearing Exhibit No. 1 consisted of the Staff-recommended cash flow and Staff Post-hearing Exhibit No. 2 consisted of the Staff-recommended increased rates and charges for Warm Springs Public Service District.

On May 26, 1989, counsel for Warm Springs Public Service District and counsel for Commission Staff filed a Stipulation and Joint Motion to Close the Record and submit this proceeding for decision, stipulating that the Joint Staff Memorandum of May 23, 1989 and attached exhibits be marked as Staff Post-hearing Exhibit No. 1 and received into evidence, and that the record in this matter be closed and submitted for a decision on the basis of the Stipulation.

- DISCUSSION

Since Warm Springs Public Service District and Commission Staff have reached an agreement on appropriate increased rates and charges to be assessed by Warm Springs Public Service District to its customers, as a result of the project which was certificated in this proceeding by order entered on May 5, 1989, it appears that this matter may be concluded. The

Joint Staff Memorandum and two attached exhibits will be marked and received into evidence as Staff Post-hearing Exhibit No. 1, with the two attached exhibits, which had previously been designated as Post-hearing Exhibits 1 and 2, now designated as Attachments 1 and 2 to the Staff Post-hearing Exhibit No. 1. Attachment 1 of Staff's Post-hearing Exhibit No. 1 indicates that, under the Staff-recommended rates and charges, the District will have available cash of \$274,868, and total cash requirements of \$153,707, leaving cash available for debt service of \$121,161. The existing and anticipated debt service requirements for Warm Springs Public Service District total \$97,644, leaving cash available for reserves, surplus and plant additions of \$23,517. After deducting requirements for existing and anticipated debt service and depreciation reserves of \$14,764, the District should experience a remaining cash surplus of \$8,753. The Staff-recommended cash flow provides debt service coverage for Warm Springs Public Service District of 124%. The Staff-recommended rates and charges represent an across-the-board increase of 14.3% over the District's currently-effective rates and charges for providing sewer service to its customers. The Staff-recommended tariff, which has been stipulated to by Warm Springs Public Service District and was a part of the Staff Post-hearing Exhibit No. 1, is attached to this order as Appendix A.

Upon consideration of all of the above, the Administrative Law Judge is of the opinion that the stipulated rates and charges set forth in Staff Post-hearing Exhibit No. 1 appear to be sufficient, but not more than sufficient, to provide for the operation and maintenance expenses, other taxes and debt service and reserve requirements of Warm Springs Public Service, while also providing the District with a remaining cash surplus of \$8,753 and debt service coverage of 124%. Therefore, the Staff-recommended rates and charges appear to be reasonable and, having been agreed to by Warm Springs Public Service District, should be approved and adopted to become effective for all service rendered by Warm Springs Public Service District on and after the date that the project which was certified by order entered on May 5, 1989, is placed into service.

FINDINGS OF FACT

1. The Staff-recommended increased rates and charges set forth in Staff Post-hearing Exhibit No. 1 will provide Warm Springs Public Service District with sufficient cash to fully provide for its operation and maintenance expenses, other taxes and debt service requirements, as well as provide adequate cash to fully fund existing and anticipated debt service and depreciation reserves and provide a remaining cash surplus of \$8,753 and debt service coverage of 124%. (Staff Post-hearing Exhibit No. 1).

2. Warm Springs Public Service District has stipulated to the rates and charges recommended by Commission Staff in Staff Post-hearing Exhibit No. 1. (Tr., pp. 31-32 and Stipulation and Joint Motion filed on May 26, 1989).

CONCLUSION OF LAW

It is reasonable to approve and adopt the Staff recommended rates and charges set forth in Staff Post-hearing Exhibit No. 1, which rates and charges are attached hereto as Appendix A, for all service rendered by Warm Springs Public Service District to its customers on and after the date that the project which was certificated by order entered on May 5, 1989, is placed into service.

ORDER

IT IS, THEREFORE, ORDERED that the rates and charges attached hereto as Appendix A, which were set forth in Staff Post-hearing Exhibit No. 1 and stipulated to by Warm Springs Public Service District, be, and they hereby are, approved and adopted for use by Warm Springs Public Service District for all service rendered to its customers on and after the date that the project which was certificated by order entered on May 5, 1989, in this proceeding, is placed into service.

IT IS FURTHER ORDERED that this proceeding be, and it hereby is, removed from the Commission's docket of open cases, as having been fully resolved.

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 shall be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Melissa K. Marland
Chief Administrative Law Judge

MKM:mal

WARM SPRINGS PUBLIC SERVICE DISTRICT
CASE NO. 88-363-S-CN

STAFF RECOMMENDED TARIFF
SCHEDULE NO. 1

Applicable inside and outside of the boundaries of the District.

AVAILABILITY OF SERVICE

Available for sanitary sewer service.

RATE (Based on water consumption of metered waste placed in the sewer system.)

First	3,000 gallons used per month	\$4.57 per 1,000 gallons
Next	4,000 gallons used per month	\$4.28 per 1,000 gallons
Next	5,000 gallons used per month	\$3.83 per 1,000 gallons
Next	8,000 gallons used per month	\$3.31 per 1,000 gallons
All Over	20,000 gallons used per month	\$2.97 per 1,000 gallons

MINIMUM RATE

No bill will be rendered for less than \$13.71 per month.

TAP FEE

\$250.00

DELAYED PAYMENT PENALTY

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

TYPES OF DISCHARGE PROHIBITED

There shall be no connection of roof downspouts, foundation drains, area way drains, or other sources of surface run-off or ground water to a building drain or building sewer which in turn is connected directly or indirectly to the sanitary sewerage system. There shall be no radioactive wastes, oils, flammable or explosive substances, or any other material discharged directly or indirectly into the system which may have a harmful effect on the wastewater treatment facilities.

Flat Rate

Berkeley Springs State Park -- \$229.17

(N) RECONNECTION FEE

\$20.00 -- This fee is to be collected from sewer customers whose water service has been disconnected by the Town of Bath, for nonpayment of sewer bills, according to a termination agreement approved by the Public Service Commission.

(N) Indicates New

WARM SPRINGS PUBLIC SERVICE DISTRICT
CASE NO. 88-363-S-CN

STAFF RECOMMENDED TARIFF
SCHEDULE NO. 2

Applicable inside and outside of the boundaries of the District.

AVAILABILITY OF SERVICE

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

FLAT RATE

\$13.71 per month.

DELAYED PAYMENT PENALTY

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

TYPES OF DISCHARGE PROHIBITED

There shall be no connection of roof downspouts, foundation drains, area way drains, or other sources of surface run-off or ground water to a building drain or building sewer which in turn is connected directly or indirectly to the sanitary sewerage system. There shall be no radioactive wastes, oils, flammable or explosive substances, or any other material discharged directly or indirectly into the system which may have a harmful effect on the waste water treatment facilities.

(N) RECONNECTION FEE

\$20.00 -- This fee is to be collected from sewer customers whose water service has been disconnected by the Town of Bath, for nonpayment of sewer bills, according to a termination agreement approved by the Public Service Commission.

(N) Indicates New

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 2nd day of June, 1989.

CASE NO. 88-363-S-CN

WARM SPRINGS PUBLIC SERVICE DISTRICT,
a public utility, Berkeley Springs,
Morgan County.

Application for a certificate of convenience
and necessity to construct and upgrade sewerage
facilities in Morgan County, and for approval
of rates and financing.

COMMISSION ORDER

On August 15, 1988, Warm Springs Public Service District, a public utility, Berkeley Springs, Morgan County, filed an application, duly verified, for a certificate of convenience and necessity to upgrade its sewerage facilities by constructing a sludge dewatering system, interceptor replacement and gravity sewer lines, as well as appurtenant facilities, in Morgan County.

By order entered on May 5, 1989, an Administrative Law Judge of the Commission granted a certificate of convenience and necessity to Warm Springs Public Service District as requested. The order of May 5, 1989 also approved the financing for the project in question, but did not approve increased rates and charges for the project. By further order entered on May 5, 1989, the matter of appropriate rates and charges for Warm Springs Public Service District, to cover the project certificated, was set for hearing to be held in Charleston, West Virginia, on May 22, 1989. Warm Springs Public Service District was required to provide newspaper publication of the May 22, 1989 hearing in Morgan County.

The hearing was held as scheduled on May 22, 1989. Warm Springs Public Service District was represented by its counsel, T. D. Kauffelt. Caryn Watson Short, of the Legal Division, appeared on behalf of Commission Staff. As a result of testimony at the May 22, 1989 hearing, there was an agreement between Warm Springs Public Service District and Commission Staff with regard to the issue of increased rates and charges for the District. As a result of the proposed agreement, the hearing was submitted for a decision, pending receipt of the post-hearing exhibit, the transcript and a joint recommendation to be filed by Commission Staff and Warm Springs Public Service District with regard to whether or not the matter had actually been settled and concluded.

On May 26, 1989, counsel for Warm Springs Public Service District and counsel for Commission Staff filed a stipulation and joint motion to close the record and submit this proceeding for decision. On May 31, 1989, the Chief Administrative Law Judge issued a further recommended decision.

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 7th day of June, 1989.

CASE NO. 88-363-S-CN

WARM SPRINGS PUBLIC SERVICE DISTRICT,
a public utility, Berkeley Springs,
Morgan County.

Application for a certificate of convenience and necessity to construct and upgrade sewerage facilities in Morgan County, and for approval of rates and financing.

COMMISSION ORDER

On August 15, 1988, Warm Springs Public Service District, a public utility, Berkeley Springs, Morgan County, filed an application, duly verified, for a certificate of convenience and necessity to upgrade its sewerage facilities by constructing a sludge dewatering system, interceptor replacement and gravity sewer lines, as well as appurtenant facilities, in Morgan County.

By order entered on May 5, 1989, an Administrative Law Judge of the Commission (ALJ) granted a certificate of convenience and necessity to Warm Springs Public Service District (District) as requested. The order of May 5, 1989, also approved the financing for the project in question, but did not approve increased rates and charges for the project. By further order entered on May 5, 1989, the matter of appropriate rates and charges for the District, to cover the project certificated, was set for hearing to be held in Charleston, West Virginia, on May 22, 1989. The District was required to provide newspaper publication of the May 22, 1989 hearing in Morgan County.

The hearing was held as scheduled on May 22, 1989. The District was represented by its counsel, T. D. Kauffelt. Caryn Watson Short, of the Legal Division, appeared on behalf of the Commission Staff (Staff). As a result of testimony at the May 22, 1989 hearing, there was an agreement between the District and Staff with regard to the issue of increased rates and charges for the District. As a result of the proposed agreement, the hearing was submitted for a decision, pending receipt of the post-hearing exhibit, the transcript and a joint recommendation to be filed by Staff and the District with regard to whether or not the matter had actually been settled and concluded.

On May 26, 1989, counsel for the District and counsel for Staff filed a stipulation and joint motion to close the record and submit

this proceeding for decision. On May 31, 1989, the ALJ issued a further recommended decision.

On June 1, 1989, T. D. Kauffelt, counsel for the District, filed a petition to waive the District's right to take exceptions to the aforesaid order and requesting the aforesaid recommended decision to be the final order of the Commission as soon as possible. On June 2, 1989, the Commission received a written communication from Staff indicating it has no objection to the requested waiver.

By order entered on June 2, 1989, the Commission granted the requested waiver and provided that the ALJ's recommended decision of May 31, 1989, in this matter become final at 5:00 p.m. on June 7, 1989.

On June 6, 1989, the District filed a "Petition for Reopening to Make Rates Effective Immediately."

DISCUSSION

In the District's Petition for Reopening to Make Rates Effective Immediately (Petition for Reopening), the District requests that the rates be made effective immediately as opposed to the effective date contained in the ALJ order which is the date that the project, which was certified in this proceeding, is placed into service.

In support of its Petition for Reopening, the District asserts the following matters:

(1) Farmers Home Administration is unwilling to make the loan unless the rates are made effective immediately due to the fact that part of the reason for the rate increase is to bring the District's operations to going level. Farmers Home Administration feels it would be making a loan to an entity operating at a deficit for a substantial and indefinite period of time, while that entity is being required to pay interest charges immediately.

(2) Much of this project will be done by force account, or the use of the District's own resources, rather than on bids, and, consequently, the completion thereof may take much longer than the normal construction program for a project.

(3) None of the construction to be done in this case is revenue-producing construction. Rather, the construction is for the purpose of upgrading the facilities involved in treating and disposing of sludge and upgrading and improving the line serving existing customers.

Based upon the representations by counsel in the District's Petition for Reopening, the Commission concludes that it is reasonable to modify the May 31, 1989 decision of the ALJ to provide that the rates approved therein take effect immediately.

FINDINGS OF FACT

1. Farmers Home Administration is unwilling to make the loan to the District unless the rates approved in the ALJ's order of May 31, 1989, are made effective immediately due to the fact that part of the

reason for the rate increase is to bring the District's rates to a level necessary to cover cost of service at going level (Petition for Reopening, pp. 1-2).

2. Unless the rates are made effective immediately, Farmers Home Administration believes that it would be making a loan to an entity operating at a deficit for a substantial and indefinite period of time while being required to pay interest charges immediately (Petition for Reopening, p. 2).

3. Much of the project will be done by force account rather than on bids, and the completion thereof may take much longer than the normal construction program for a project (Petition for Reopening, p. 2).

4. None of the construction to be done in this case is revenue-producing construction and is for the purpose of upgrading facilities serving existing customers (Petition for Reopening, p. 2).

CONCLUSIONS OF LAW

1. The Commission concludes that it is advantageous for the District to obtain funds from the Farmers Home Administration.

2. In order to obtain funds from the Farmers Home Administration, the rates approved by the May 31, 1989 order of the ALJ must be made effective immediately.

3. Based on the representations in the District's Petition for Reopening and the findings of fact herein, the Commission concludes that it is just and reasonable for the approved rates to take effect immediately.

ORDER

IT IS, THEREFORE, ORDERED that the Administrative Law Judge's decision of May 31, 1989, is modified to provide that the rates and charges approved therein, specifically those rates and charges attached thereto as Appendix A, are approved and adopted for use by Warm Springs Public Service District for all service rendered to its customers on and after the date of this order.

IT IS FURTHER ORDERED that Warm Springs Public Service District immediately file tariff sheets with the Commission that set forth the rates and charges approved by this order and the Administrative Law Judge's order of May 31, 1989.

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

A True Copy, Teste:

ARC
REH:sn


Pamela J. Hicks
Acting Secretary

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Sewer Revenue Bond, Series 1989

CERTIFICATE OF:

1. AWARD OF BOND
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES
6. PUBLIC SERVICE COMMISSION ORDER
7. RATES
8. INCUMBENCY AND OFFICIAL NAME
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS
11. INSURANCE
12. CUSTOMER CERTIFICATION
13. DELIVERY, PAYMENT AND TERMS OF BOND
14. PRIVATE USE OF FACILITIES
15. NO FEDERAL GUARANTY
16. IRS INFORMATION RETURN

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Warm Springs Public Service District (herein called the "District"), and the undersigned ATTORNEY for the District, hereby certify in connection with the single, fully registered Warm Springs Public Service District, Sewer Revenue Bond, Series 1989, numbered R-1, dated the date hereof, in the principal amount of \$300,000 and bearing interest at the rate of five and seven-eighths per centum (5.875%) per annum (herein called the "Bond"), as follows:

1. AWARD OF BOND: The entire issue of the Bond has been duly awarded to the United States Department of Agriculture, Farmers Home Administration, pursuant to a letter of commitment from said Administration and a resolution adopted by the Public Service Board of the District on the 3rd day of August, 1989.

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 the issuance and delivery of the Bond; nor questioning the proceedings and authority by which the Public Service Board of the District authorized the issuance and sale of the Bond; nor affecting the validity of the Bond or any provisions made or

authorized for the payment thereof; nor questioning the existence of the District or the title of the members of officers of the District or of the Public Service Board thereof to their respective offices; nor questioning the construction and acquisition of the extensions, additions, betterments and improvements to the existing sewerage system of the District financed in part by the proceeds of sale of the Bond or paying the arbitration award (herein called the "Project"), nor operation by the District of such sewerage system as expanded by the Project (such sewerage system as so expanded, and any further extensions, additions, improvements or betterments thereto, herein collectively called the "System").

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for construction of the Project and operation of the System have been duly and timely obtained and remain in full force and effect, and competitive bids for construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia, 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the District or the System since the approval by said Farmers Home Administration of a loan to assist in acquisition and construction of the Project. Further, there has been no adverse change in the status of any grant necessary to finance the acquisition and construction of the Project.

The Bond shares a first parity lien with the District's Sewer Revenue Bond, Series 1977 (the "Parity Bond") originally issued in the amount of \$1,326,000 and outstanding on June 16, 1989 in the amount of \$1,181,956.11. The District is in compliance with the terms and conditions of the Parity Bond.

5. SIGNATURES: The undersigned Chairman and Secretary are the duly elected, qualified and serving officers of the District as indicated by the official titles opposite their signatures below, and were duly authorized to execute and seal the Bond for the District. The seal impressed upon the Bond and this certificate is the duly authorized, proper and only seal of the District.

6. PUBLIC SERVICE COMMISSION ORDERS: The undersigned Attorney hereby covenants that he has filed any information with the Public Service Commission (the "PSC") and taken any other actions required to maintain the Public Service Commission orders, dated May 5, 1989, May 31, 1989, June 2, 1989 and June 7, 1989, in full force and effect.

7. RATES: The rates set by the PSC were adopted by resolution on August 3, 1989, and the District has complied with all requirements of the Public Service Commission to make the rates valid and effective upon completion of construction of the Project.

8. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the District is "Warm Springs Public Service District," and it is a political subdivision of the State of West Virginia in Morgan County of said State. The governing body of the District is its Public Service Board, consisting of three members, whose names and dates of commencement and termination of terms of office for all members during these Bond proceedings, including current terms, are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Chairman - Earle T. Andrews	2/23/88	2/1/1994
Secretary - Burton C. English	2/04/86	2/1/1992
Public Service Board Member - Ronald Reeder	9/09/86	2/1/1990

Martin and Siebert, Martinsburg, West Virginia, are the duly appointed attorneys for the District.

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

10. MEETINGS: All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the District in any way connected with the construction, acquisition, operation and financing of the Project were authorized or adopted at meetings of the Public Service Board duly and regularly or specifically called and held pursuant to all applicable statutes and the rules of procedure of Public Service Board, and a quorum of duly appointed, qualified and acting members of the Public Service Board was present and acting at all times during all such meetings.

11. INSURANCE, ETC.: The District has maintained and will, or, as appropriate, has required and will require all contractors to, maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable; in accordance with the letters of conditions and commitment of Farmers Home Administration and the resolution passed by the Public Service Board of the District on the 3rd day of August, 1989, authorizing the issuance of the Bond (herein called the "Bond Resolution"). All contractors have made the required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy and completeness.

12. CUSTOMER CERTIFICATION: It is hereby certified that as of this date there are not less than 896 bona fide users of the System.

13. DELIVERY, PAYMENT AND TERMS OF BOND: On the date hereof, Bond Number R-1 was delivered to said Farmers Home Administration in Berkeley Springs, West Virginia, by the undersigned Chairman. At the time of such delivery, Bond Number R-1 had been duly and fully executed and sealed on behalf of the District in accordance with the Bond Resolution.

Bond Number R-1 is dated on the date hereof, and interest thereon at the rate of five and seven-eighths per centum (5.875%) per annum is payable from such date on the amount of the Bond. The Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District, and shall be payable as to both principal and interest as provided in the Bond.

14. PRIVATE USE OF FACILITIES: The District shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Bond and the interest thereon. Less than 10% of the proceeds of the Bond will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying agreement, is, directly or indirectly, secured by any interest in property used or to be used for private business use, payments in respect to such property, or to be derived from payments (whether or not to be the District) in the respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Bond will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bond, including the disproportionate related business use of the proceeds of the Bond, and none of the payment of principal of or interest on, or the interest on,

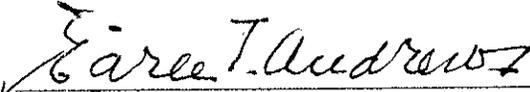
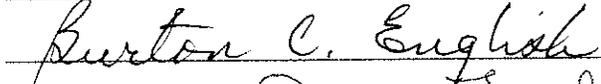
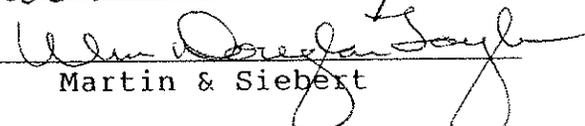
such issue, under the terms of any underlying agreement, is, directly or indirectly, secured by any interest and property used, or to be used for a private business use, payments in respect to such property or to be arrived from payments (whether or not to the District) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Bond. None of the proceeds of the issue of the Bond will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in the trade or business carried on by any person other than a governmental unit, other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder (the "Code").

15. NO FEDERAL GUARANTY: The Bond is not, in whole or in part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

16. IRS INFORMATION RETURN: On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Philadelphia, Pennsylvania.

WITNESS our signatures and the official corporate seal of the Warm Springs Public Service District on this 3rd day of August, 1989.

[CORPORATE SEAL]

<u>Signature</u>	<u>Official Title</u>
	Chairman
	Secretary
By:  Martin & Siebert	Attorney

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Sewer Revenue Bond, Series 1989

CERTIFICATE OF SECRETARY AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, the undersigned Burton C. English, Secretary of the Warm Springs Public Service District, hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of \$300,000 in principal amount of the Warm Springs Public Service District Sewer Revenue Bond, Series 1989 (the "Bond") are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the Warm Springs Public Service District, that said documents have been duly adopted, enacted or entered by the Public Service Board of said District, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedure, amendment or modification is also listed below:

1. Oaths of Office, dated February 23, 1988, of the following officials: Earle T. Andrews, Burton C. English and Ronald Reeder.

2. Loan Resolution (Form FmHA 442-27).

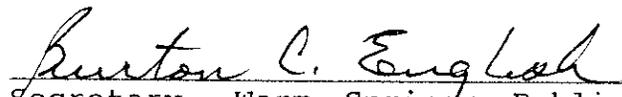
3. Minutes of the August 3, 1989, meeting of the Public Service Board of the Warm Springs Public Service District, wherein the bond resolution and supplemental resolution were adopted.

4. The Bond Resolution.

5. Supplemental Resolution Awarding the Warm Springs Public Service District Sewer Revenue Bond, Series 1989 in the Principal Amount of \$300,000, and Fixing the Rate of Interest Thereon and Fixing Other Matters.

6. Letter of Intent to Meet Conditions, dated February 12, 1987.

WITNESS my signature and the official seal of the Warm Springs Public Service District, as of the 3rd day of August, 1989.


Secretary, Warm Springs Public
Service District

(SEAL)

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Sewer Revenue Bond, Series 1989

CERTIFICATE AS TO NON-ARBITRAGE

I, Earle T. Andrews, Chairman of the Warm Springs Public Service District (herein called the "Issuer"), hereby certify and reasonably expect with respect to the issuance of the \$300,000 Warm Springs Public Service District Sewer Revenue Bond, Series 1989, dated the date hereof (herein called the "Bond"), as follows:

1. The original proceeds of the Bond, being \$300,000, will be used as follows: (1) \$291,000 for the financing of the cost of construction and acquisition of the extensions, additions, betterments and improvements to the sewerage system of the Issuer, including the payment of the arbitration award (the "Project") and (2) \$9,000 for expenses incurred in connection with the issuance of the Bond.

2. The Issuer will secure the payment of its Bond by creating over a period of approximately ten years a reserve fund that shall equal the maximum amount of principal and interest becoming due on the Bond in any year (herein called the "Reserve Account").

3. Except for the aforesaid Reserve Account and the Sinking Fund established pursuant to the Bond Resolution, the Issuer has not created or established, nor does it expect to create or establish, any other sinking fund or similar fund. The Issuer has continued the Replacement Fund under the Bond Resolution, the funds in which may be used in emergency situations to pay debt service. The Replacement Fund funds are expected to be used for replacements, emergency repairs, additions, betterments and improvements to the system.

Any money deposited in the Sinking Fund, other than in the Reserve Account therein, will be spent within a thirteen-month period beginning on the date of receipt, and any money received from the investment of the amounts held in the Sinking Fund, other than in the Reserve Account therein, will be spent with a one-year period beginning on the date of receipt.

The Issuer will make monthly payments of interest for the first two years following issuance of the Bond and monthly payments of principal and interest thereafter. Therefore, except for the Reserve Account funds, the Issuer does not expect any funds to be held in the Sinking Fund.

4. Pursuant to Article IV of the Resolution, the following special funds or accounts have been created, continued or are being maintained with respect to the Bond:

- (1) Revenue Fund (established by the Prior Resolution);
- (2) Replacement Fund (established by the Prior Resolution);
- (3) Construction Trust Fund;
- (4) With respect to the Bonds or the Bond, the Series 1989 Bond Reserve Account.

5. Work on the Project will proceed with due diligence to completion. The construction period for the Project is less than six months. All of the proceeds of the Bond will be expended within six months of the date of issue. The Issuer reasonably expects all Bond proceeds to be spent before February 3, 1990.

6. At least 5% of the proceeds of the Bond will be spent for Project costs within thirty days from the date of the issuance of the Bond.

7. Except as provided in the Ordinance, the Project will not be sold or otherwise disposed of in whole or in part before the maturity of the Bond.

8. The original proceeds of the Bond will not exceed the amount necessary for the purposes of the issue.

9. The \$300,000 will be deposited in the Construction Trust Fund and used for payment of cost of acquisition and the construction of the Project. Pending such use, the moneys, if any, in the Construction Trust Fund will be invested without restriction as to yield.

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

11. The Issuer has covenanted in the Bond Resolution to make no use of the proceeds of the Bond which would cause the Bond to be "arbitrage bonds" within the meaning of the regulations or Section 148 of the Internal Revenue Code of 1986 (the "Code").

12. The Bond was sold on August 3, 1989 to the Farmers Home Administration for a purchase price of \$300,000. No accrued interest was payable on the Bond.

13. To the best of my knowledge, information and belief, the above expectations are reasonable. I am one of the officers of the Issuer charged by the Issuer in the Bond Resolution with responsibility for issuance of the Bond, and, as such, I am an official whose certification may be relied upon as the certification of the Issuer.

14. The Issuer will take all further actions necessary to comply with the Code and all regulations promulgated thereunder.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 3rd day of August, 1989.

WARM SPRINGS PUBLIC SERVICE DISTRICT

By: *E. T. Andrews*
Chairman

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Warm Springs Public Service
District, Sewer Revenue Bond, Series 1989

ENGINEER'S CERTIFICATE

I, E. MICHAEL PYLES, Registered Professional Engineer, West Virginia License No. 7663, of Kelley, Gidley, Blair & Wolfe, Inc., Consulting Engineers, Charleston, West Virginia, hereby certify that my firm is engineer for the construction and acquisition of the extensions, additions, betterments and improvements to the sewerage system (herein called the "Project") of the Warm Springs Public Service District (the "District") to be constructed primarily in Morgan County, West Virginia, which construction and acquisition are being financed in part by the above-captioned bonds of the Warm Springs Public Service District.

The Project is estimated to cost \$300,000 and is being funded by a \$300,000 Loan from the Farmers Home Administration (the "FmHA Loan").

I further certify that all engineering requirements of the FmHA Loan Agreement have been reviewed and that the District has complied or will be in compliance with all engineering requirements thereof consistent with the Project's funding schedule.

I further certify that we have examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project.

I further certify that the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed and the construction period is estimated at a period not to exceed six months. To the best of my knowledge (i) the Project will be constructed in accordance with plans and specifications prepared by my firm and is situate wholly or chiefly within the boundaries of the District; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals and permits for the construction thereof have been obtained or can be obtained; (iii) I have examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project; (iv) the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed; and (v) adequate funding is

available to complete the Project in accordance with the plans and specifications, including modifications required by the District

WITNESS my signature and seal on this 3rd day of August, 1989.

KELLEY, GIDLEY, BLAIR & WOLFE, INC.

[SEAL]

By E. Michael Pyles

License Number 7663



WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Warm Springs Public Service
District, Sewer Revenue Bond, Series 1989

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

CITIZENS NATIONAL BANK OF BERKELEY SPRINGS, a national banking corporation with its principal office in Berkeley Springs, West Virginia, hereby accepts appointment as Depository Bank in connection with a Resolution of the Warm Springs Public Service District adopted August 3, 1989, and the Supplemental Resolution adopted August 3, 1989 (collectively the "Resolution") authorizing issuance of the Warm Springs Public Service District Sewer Revenue Bond, Series 1989, dated August 3, 1989, in the aggregate principal amount of \$300,000 (the "Bond") and agrees to perform all duties of Depository Bank in connection with such Bond, all as set forth in said Resolution.

Witness my signature as of the 3rd day of August, 1989.

CITIZENS NATIONAL BANK OF
BERKELEY SPRINGS

By Raymond W. Lawrence
Executive Vice President

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Warm Springs Public Service
District, Sewer Revenue Bond, Series 1989

JOINT CERTIFICATE OF ISSUER AND DEPOSITORY BANK

The undersigned, Earle T. Andrews, Chairman of the Warm Springs Public Service District (the "Issuer") and the undersigned, Raymond H. Lawyer, Executive Vice President of Citizens National Bank of Berkeley Springs, a national banking corporation in its capacity as depository bank (the "Depository Bank") under a Resolution adopted by the Public Service Board of the Issuer on August 3, 1989, and a Supplemental Resolution adopted by the Public Service Board of the Issuer on August 3, 1989 (collectively, the "Resolution"); hereby jointly certify as follows in connection with the above-captioned Bond issue:

The Issuer has duly executed the Resolution and appointed the Depository Bank and the Depository Bank has duly accepted the duties of Depository Bank as set forth in the Resolution.

WITNESS our signatures this 3rd day of August, 1989.

WARM SPRINGS PUBLIC SERVICE DISTRICT

By: Earle T. Andrews
Chairman

CITIZENS NATIONAL BANK OF BERKELEY
SPRINGS

By: Raymond H. Lawyer
Executive Vice President

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Warm Springs Public Service
District, Sewer Revenue Bond, Series 1989

ACCEPTANCE OF DUTIES OF REGISTRAR

CITIZENS NATIONAL BANK OF BERKELEY SPRINGS, a national banking corporation with its principal office in Berkeley Springs, West Virginia, hereby accepts appointment as Registrar in connection with a Resolution of the Warm Springs Public Service District adopted August 3, 1989, and the Supplemental Resolution adopted August 3, 1989 (collectively the "Resolution") authorizing issuance of the Warm Springs Public Service District Sewer Revenue Bond, Series 1989, dated August 3, 1989, in the aggregate principal amount of \$300,000 (the "Bond") and agrees to perform all duties of Registrar in connection with such Bond, all as set forth in said Resolution.

Witness my signature as of the 3rd day of August, 1989.

CITIZENS NATIONAL BANK OF
BERKELEY SPRINGS

By: Raymond W. Sawyer
Executive Vice President

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Warm Springs Public Service
District, Sewer Revenue Bond, Series 1989

CERTIFICATE OF REGISTRATION OF BOND

I, RAYMOND H. LAWYER, Executive Vice President of CITIZENS NATIONAL BANK OF BERKELEY SPRINGS, as Registrar under the Resolution providing for the \$300,000 aggregate principal amount of the Warm Springs Public Service District's (the "Issuer"), Sewer Revenue Bond, Series 1989, hereby certify that on the 3rd day of August, 1989, the single fully registered Series 1989 Bond of the Issuer in the principal amount of \$300,000 designated "Warm Springs Public Service District Sewer Revenue Bond, Series 1989," numbered R-1, and dated of the date hereof was registered as to principal and interest in the name of "Farmers Home Administration, United States Department of Agriculture" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of Citizens National Bank of Berkeley Springs, as Registrar.

WITNESS my signature as of this 3rd day of August,
1989.

CITIZENS NATIONAL BANK OF
BERKELEY SPRINGS

By: Raymond H. Lawyer
Executive Vice President

WARM SPRINGS PUBLIC SERVICE DISTRICT

\$300,000 Warm Springs Public Service
District, Sewer Revenue Bond, Series 1989

RECEIPT FOR BOND NO. R-1

The undersigned, on behalf of the Farmers Home Administration of the United States Department of Agriculture, hereby certifies as follows:

1. On the 3rd day of August, 1989, in Berkeley Springs, West Virginia, the undersigned received for and on behalf of the Farmers Home Administration the entire amount of the Warm Springs Public Service District Sewer Revenue Bonds, Series 1989 (the "Bond"), of the Warm Springs Public Service District (the "District"), authorized to be issued by a resolution adopted by the Public Service Board of the District on the 3rd day of August, 1989 and a Supplemental Resolution adopted on August 3, 1989 (collectively the "Resolution"); in the principal amount of \$300,000; dated the 3rd day of August, 1989; and issued in the form of one bond, fully registered to the United States of America, Farmers Home Administration, and numbered R-1. The Bond bears interest at the rate of 5.875% per annum, payable in monthly installments on the amounts advanced thereunder for the first 2 years from the date of the Bond, and thereafter monthly installments of interest and principal are payable in the aggregate sum of \$1,626 for each installment, the final payment forty years after the date of the Bond to be in the sum of the unpaid principal and interest thereon to the date of such payment. The Bond represents all maturities of the above-captioned bond issue.

2. At the time of such receipt of said Bond, it had been executed by Earle T. Andrews, Sr., Chairman of the District, by manual signature, and attested by Burton C. English, Secretary of the District, by manual signature, and the official seal of said District had been impressed upon said Bond.

IN WITNESS WHEREOF, said Farmers Home Administration has duly signed and delivered this Receipt for Bond No. R-1 on this 3rd day of August, 1989.

FARMERS HOME ADMINISTRATION

By: James M. Galdy
Its: District Loan Specialist

WARM SPRINGS PUBLIC SERVICE DISTRICT
\$300,000 Sewer Revenue Bond, Series 1989

RECEIPT FOR BOND PROCEEDS

I, the undersigned Earle T. Andrews, Chairman of Warm Springs Public Service District (the "District"), hereby certify that the District received by check on the date hereof the sum of \$300,000 from United States Department of Agriculture, Farmers Home Administration in full payment for the Warm Springs Public Service District's Sewer Revenue Bond, Series 1989.

Dated this 3rd day of August, 1989.

WARM SPRINGS PUBLIC SERVICE
DISTRICT

By Earle T. Andrews
Its Chairman

WARM SPRINGS PUBLIC SERVICE DISTRICT
\$300,000 Sewer Revenue Bond, Series 1989

BOND REGISTER

Citizens National Bank of Berkeley Springs, as Bond Registrar

<u>Name of Bondholder</u> <u>(Address & Tax ID)</u>	<u>Bond Number</u>	<u>Bond Amount</u>	<u>Registration</u> <u>Date</u>	<u>Authorized</u> <u>Officer</u>
United States Department of Agriculture Farmers Home Administration P. O. Box 678 Morgantown, WV 26505	R-1	\$300,000	August 3, 1989	<i>RNL</i>



WARM SPRINGS PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1989

No. R-1

\$300,000

Date: August 3, 1989

FOR VALUE RECEIVED, the WARM SPRINGS PUBLIC SERVICE DISTRICT (herein called the "Borrower"), promises to pay to the order of the United States of America, Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), at United States Department of Agriculture, Farmers Home Administration, P. O. Box 678, Morgantown, West Virginia, 26505, or at such other place as the Government may hereafter designate in writing and in the manner provided below, the principal sum of Three Hundred Thousand Dollars (\$300,000), plus interest on the unpaid principal balance at the rate of five and seven-eighths per centum (5.875%) 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 Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and installments of \$1,626, 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 herein below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Extra payments, as defined in the regulations of the Farmers Home Administration, 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.

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

on the proceeds of the Bond until such proceeds are expended for authorized purposes.

This Bond is issued to permanently finance a portion of the cost of construction and acquisition of certain extensions, additions, betterments and improvements to the Borrower's sewerage system (the "Project") (the Project, together with the existing sewerage system of the Borrower and any further extensions, additions, betterments and improvements thereto, herein called the "System") under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A of Chapter 16 of the Code of West Virginia, 1931, as amended, and a resolution duly enacted by the Public Service Board of the Warm Springs Public Service District on the 3rd day of August, 1989, as supplemented by a resolution duly adopted by said Public Service Board on the 3rd day of August, 1989 (herein collectively called the "Resolution"), and is subject to all the terms and conditions of said Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON A PARITY WITH THE LIEN OF AND SOURCE OF PAYMENT FOR AND SECURITY WITH THE DISTRICT'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1977 DATED AUGUST 15, 1978 ISSUED IN THE PRINCIPAL AMOUNT OF \$1,326,000 (THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of a first parity lien on the net revenues to be derived from the operation of the System of the Borrower, which net revenues shall be sufficient to pay the principal of, and interest on, this Bond, the Prior Bonds as defined in the Resolution and all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted as provided in the Prior Resolution and to the Government as provided herein and in the Resolution. This Bond does not constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provisions or limitations, nor shall the Borrower be obligated to pay the same or the interest hereon except from the Net Revenues as defined in the Resolution, derived from the operation of said System. The Borrower in said Resolution has covenanted and agreed that the schedule of rates or charges from time to time in effect shall be sufficient to provide for all reasonable operating expenses of the System, to pay all debt service on the Prior Bonds and to leave a balance each year equal to at least 110% of the average annual debt service on this Bond and any other bonds on a parity with this Bond then outstanding and of the average annual debt service of any other obligations payable from the revenues of the System of the Borrower. Said Borrower has entered into certain further covenants with the owner of this Bond for the terms of which reference is made to said Resolution. Remedies provided the owner of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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.

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.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Borrower, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the net revenues of the System of said Borrower have been pledged to and will be set aside into said special fund by said Borrower for the prompt payment of the principal of and interest on this Bond.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, the said Warm Springs Public Service District has caused this Bond to be signed by its Chairman, attested by its Secretary and its corporate seal to be impressed hereon, all as of the date first written above.

WARM SPRINGS PUBLIC SERVICE DISTRICT
(Name of Borrower)

(Signature of Executive Official)

[CORPORATE SEAL]

Chairman
(Title of Executive Official)

103 Wilkes Street
(Street Address)

Berkeley Springs, WV 25411
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Bond described in the within-mentioned Resolution and has been duly registered as of the date set forth below in the name of the United States of America, Farmers Home Administration, United States Department of Agriculture.

CITIZENS NATIONAL BANK OF
BERKELEY SPRINGS,
as Registrar

By: _____
Its Authorized Officer

Dated: _____

"SPECIMEN"

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the _____, dated _____, of _____, and does hereby irrevocably constitute and appoint _____, attorney to transfer said Bond on the books of said _____ with full power of substitution in the premises.

DATED: _____

IN THE PRESENCE OF: _____

"SPECIMEN"

FARMERS HOME ADMINISTRATION
P. O. BOX 678
MORGANTOWN, WV 26505

August 3, 1989

Warm Springs Public Service District
Sewer Revenue Bond, Series 1989

TO WHOM IT MAY CONCERN:

The undersigned Acting STATE DIRECTOR, for the United States Department of Agriculture, Farmers Home Administration, the present holder of the 1977 Bond hereinafter defined and described, hereby consents to the issuance of the above-captioned Sewer Revenue Bond, Series 1989 (the "1989 Bond"), under the terms of the 1989 Bond Resolution, and consents to the amendments to the resolution authorizing the 1977 Bond made by the 1989 Bond Resolution, which 1989 Bond is to be issued on a parity with the outstanding Sewer Revenue Bond, Series 1977, of the District, dated August 15, 1978 (the "1977 Bond"), and hereby waives any requirements imposed by the aforesaid outstanding bond issue regarding the issuance of parity bonds which are not met by the 1989 Bond.


WILLIAM F. PATTON
Acting State Director

**Information Return for Tax-Exempt
Governmental Bond Issues**

► Under Section 149(e)
(Use Form 8038-GC if issue price is under \$100,000.)

Part I Reporting Authority Check box if Amended Return ►

1 Issuer's name: WARM SPRINGS PUBLIC SERVICE DISTRICT

2 Issuer's employer identification number: 55-6078951

3 Number and street: 103 WILKES STREET

4 Report number: G1989 - 1

5 City or town, state, and ZIP code: BERKELEY SPRINGS, WEST VIRGINIA 25411

6 Date of issue: August 3, 1989

Part II Type of Issue (check box(es) that applies)

	Issue Price
7 Check box if bonds are tax or other revenue anticipation bonds ► <input type="checkbox"/>	
8 Check box if bonds are in the form of a lease or installment sale ► <input type="checkbox"/>	
9 <input type="checkbox"/> Education	
10 <input type="checkbox"/> Health and hospital	
11 <input type="checkbox"/> Transportation	
12 <input type="checkbox"/> Public safety	
13 <input checked="" type="checkbox"/> Environment (including sewage bonds) <u>SEWER REVENUE BOND, SERIES 1989</u>	<u>\$300,000</u>
14 <input type="checkbox"/> Housing	
15 <input type="checkbox"/> Utilities	
16 <input type="checkbox"/> Other. Describe (see instructions) ► _____	

Part III Description of Bonds

	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
17 Final maturity	<u>8/03/29</u>	<u>5.875%</u>	<u>\$1,626</u>	<u>\$1,626</u>			
18 Entire issue			<u>\$300,000</u>	<u>\$300,000</u>	<u>29.0763 years</u>	<u>5.875</u>	<u>6.0621%</u>

Part IV Uses of Original Proceeds of Issue (including underwriters' discount)

19 Proceeds used for accrued interest	<u>19</u>	<u>-0-</u>
20 Proceeds used for bond issuance costs (including underwriters' discount)	<u>20</u>	<u>\$ 9,000</u>
21 Proceeds used for credit enhancement	<u>21</u>	<u>-0-</u>
22 Proceeds allocated to reasonably required reserve or replacement fund	<u>22</u>	<u>-0-</u>
23 Proceeds used to refund prior issues	<u>23</u>	<u>-0-</u>
24 Nonrefunding proceeds of the issue (subtract lines 20, 21, 22, and 23 from line 18, column (c))	<u>24</u>	<u>\$291,000</u>

Part V Description of Refunded Bonds (complete this part only for refunding bonds)

25 Enter the remaining weighted average maturity of the bonds to be refunded ► N/A years

26 Enter the last date on which the refunded bonds will be called ► _____

27 Enter the date(s) the refunded bonds were issued ► _____

Part VI Miscellaneous

28 Enter the amount (if any) of the state volume cap allocated to this issue ► N/A

29 Arbitrage rebate:

a Check box if the small governmental unit exception to the arbitrage rebate requirement applies XX

b Check box if the 6-month temporary investment exception to the arbitrage rebate requirement is expected to apply ==

c Check box if you expect to earn and rebate arbitrage profits to the U.S. -

30 Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(ii) ► _____

31 Pooled financings:

a Check box if any of the proceeds of this issue are to be used to make loans to other governmental units ► and enter the amount ► _____

b Check box if this issue is a loan made from the proceeds of another tax-exempt issue ► and enter the name of the issuer ► _____ and the date of the issue ► _____

Please Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Earet, Aedra August 3, 1989 CHAIRMAN

Signature of officer Date Title

JACKSON & KELLY
ATTORNEYS AT LAW

1600 LAIDLEY TOWER
P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000 TELECOPIER 304-340-1130 .

WRITER'S DIRECT DIAL NO.

618 MONONGAHELA BUILDING
P O BOX 619
MORGANTOWN, WEST VIRGINIA 26507
TELEPHONE 304-292-7311

13 SOUTH HIGH STREET
P O BOX 619
MORGANTOWN, WEST VIRGINIA 26507
TELEPHONE 304-296-1006

175 EAST MAIN STREET
P O BOX 2150
LEXINGTON, KENTUCKY 40595
TELEPHONE 606-255-9500

SUITE 101
202 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601
TELEPHONE 502-227-4000

August 3, 1989

Farmers Home Administration
400 Davis Avenue
Elkins, West Virginia 26241

Public Service Board
Warm Springs Public Service
District
Berkeley Springs, West Virginia 25411

Re: \$300,000 Warm Springs Public Service
District Sewer Revenue Bond, Series 1989

Gentlemen:

We have examined a record of proceedings relating to the issuance of the Warm Springs Public Service District Sewer Revenue Bond, Series 1989 of the Warm Springs Public Service District (the "District"), dated the 3rd day of August, 1989, numbered R-1, in the principal amount of \$300,000, and bearing interest from the date of delivery at the rate of five and seven-eighths per centum (5.875%) per annum (the "Bond").

The Bond is issued pursuant to Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), and has been authorized by a resolution and supplemental resolution duly adopted by the Public Service Board of the District on the 3rd day of August, 1989 (the "Bond Resolution").

Interest is payable in monthly installments for the first two years commencing thirty days after the date of the Bond, and thereafter monthly installments of interest and principal are payable in the aggregate sum of \$1,626 for each installment, the final payment forty years after the date of the Bond to be in the sum of the unpaid principal and interest thereon to the date of such payment. Principal installments

JACKSON & KELLY

Farmers Home Administration
Public Service Board
August 3, 1989
Page 2

upon the Bond are subject to payment in advance, as provided therein and in the Bond Resolution. The Bond is issued in single, fully registered form and is numbered R-1.

The Bond Resolution and the Bond provide that the issue is for the purposes of permanently financing part of the costs of acquisition and construction of extensions, additions, betterments and improvements to the existing sewerage system of the District (such existing sewerage system now owned by the District for a sewage disposal system, together with such extensions, additions, betterments and improvements and any further extensions, additions, betterments and improvements thereto is herein called the "System").

It is our opinion that:

1. The District is a duly created and presently existing public corporation and political subdivision with full power and authority to construct and acquire the said extensions, additions, betterments and improvements and to operate and maintain the System and to issue and sell the Bond, all under the provisions of the Act and other applicable provisions of law.

2. The District, through its Public Service Board, has legally and effectively adopted the Bond Resolution and has authorized, executed and delivered the Bond.

3. The Bond, subject to the terms thereof, constitutes a valid and legally enforceable special obligation of the District, payable solely from and secured by a lien on the net revenues of the System, all in accordance with the terms of the Bond and the Bond Resolution. The Bond is on a parity as to security for and source of payment with the District's Sewer Revenue Bond, Series 1977.

4. The District has reserved the right to issue additional bonds ranking on a parity with the Bond, as provided in the Bond Resolution.

JACKSON & KELLY

Farmers Home Administration
Public Service Board
August 3, 1989
Page 3

5. Under the Act, the Bond is exempt from all taxation by the State of West Virginia and the other taxing bodies of the State. Under the statutes of the State of West Virginia and official interpretation thereof, the interest on the Bond is exempt from taxation by the State of West Virginia levied directly thereon.

6. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bond (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations; provided, however, that, in accordance with Section 309 A(h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1929 a (h)), if the Bond is acquired by the federal government and sold on an insured basis from the Rural Development Insurance Fund, the interest on the Bond will be included in gross income for the purposes of federal income tax statutes. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989). The opinions set forth above are subject to the condition that the District comply, on a continuing basis, with all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bond set forth in the Bond Resolution and the certificate relating to arbitrage. Failure to comply with such certifications, covenants and representations could cause the interest on the Bond to be includable in gross income retroactive to the date of issuance of the Bond.

Please be advised that the enforceability of rights or remedies with respect to the Bond and the Bond Resolution may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and by the availability of specific performance or similar equitable remedies and the exercise of judicial discretion.

JACKSON & KELLY

Farmers Home Administration
Public Service Board
August 3, 1989
Page 4

We have examined executed and authenticated Bond No. R-1, and, in our opinion, the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

Jackson & Kelly

JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

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TELEPHONE 806-255-9500

SUITE 101
202 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601
TELEPHONE 502-227-4000

August 3, 1989

Public Service Board
Warm Springs Public Service District
Berkeley Springs, West Virginia 25411

Re: \$300,000 Warm Springs Public Service
District Sewer Revenue Bond, Series 1989

Gentlemen:

We have examined a record of proceedings relating to the issuance of the Warm Springs Public Service District Sewer Revenue Bond, Series 1989 (the "Bond"), in the principal amount of \$300,000, of the Warm Springs Public Service District (the "District"), a political subdivision organized and existing under the laws of the State of West Virginia, and a Certificate as to Non-Arbitrage executed by Earle T. Andrews, Chairman of the District on this date. In the Certificate as to Non-Arbitrage, the District represented that the proceeds of the issuance of the Bond will not be used in a manner that would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986 (the "Code").

We are of the opinion that the facts, estimates and circumstances set forth in the Certificate as to Non-Arbitrage are sufficient to satisfy the requirements of Section 148 of the Code to support the conclusion that the Bond is not an "arbitrage bond" as therein defined. No matters have come to our attention which make unreasonable or incorrect such statements, expectations or representations.

Accordingly, it is our opinion that, under existing statutes and court decisions, the Bond is not an "arbitrage bond" as so defined. It is our further opinion, based upon such Certificate as to Non-Arbitrage, that the proceeds of the

JACKSON & KELLY

Public Service Board
August 3, 1989
Page 2

Bond are not subject to the arbitrage rebate requirement set forth in Section 148(f) of the Code. We express no opinion herein as to the taxability of the interest on the Bond in the event of the failure to comply with the other requirements and restrictions of Section 148 of the Code or any regulations promulgated thereunder or under any predecessor thereto.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jackson & Kelly".

MARTIN & SEIBERT
ATTORNEYS AT LAW
P.O. Box 1286
119 S. College Street
MARTINSBURG, WEST VIRGINIA 25401

Clarence E. Martin (1880-1955)
Cleveland M. Seibert (1884-1936)
Morgan V. Martin (1907-1963)
Clarence E. Martin, Jr.
Charles H. Bean
Clarence E. Martin, III (WV, MD & DC Bar)
Walter M. Jones, III (WV & DC Bar)
Susan Stuckey Snowden
Wm. Douglas Taylor
Daniel T. Booth (WV & PA Bar)
James J. Matzureff
William C. Power
Barry P. Beck (WV & VA Bar)
Kelly A. Beck (WV & VA Bar)

(304) 267-8985
Telecopier
(304) 267-0731

Maryland Office
49 N. Potomac Street
Hagerstown, Maryland 21740
Area Code 301
Telephone 293-2889

Martinsburg Annex
219 W. Burke Street
Martinsburg, West Virginia 25401
Area Code 304
Telephone 263-1911

August 3, 1989

Farmers Home Administration
400 Davis Avenue
Elkins, West Virginia 26241

Jackson and Kelly
P. O. Box 553
Charleston, WV 25322

Re: **\$300,000 Warm Springs Public Service
District Sewer Revenue Bond, Series 1989**

Gentlemen:

We are Counsel to the Warm Springs Public Service District (the "Issuer"). As such counsel, we have examined copies of the approving opinions of Jackson and Kelly, as bond counsel, relating to the above-captioned bonds, and accepted by the Issuer, dated August 3, 1989, a Bond Resolution adopted by the Issuer on August 3, 1989, as supplemented by a Supplemental Resolution adopted August 3, 1989 (collectively, the "Resolution") and other documents relating to the above-captioned Bonds of the Issuer. Terms used in said opinions and Resolution and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The members of the Public Service Board were duly and properly appointed and are thereby authorized to act on behalf of the Issuer.

Farmers Home Administration
Jackson & Kelly
August 3, 1989
Page Two

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

3. The Issuer has received a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia and said certificate is in full force and effect and the time for appeal therefrom has expired without successful appeal.

4. The Issuer has received all the necessary permits, licenses, approvals and authorizations that are presently obtainable to construct the Project.

5. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public council or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by or the validity of the Bond or the collection or pledge of the net revenues.

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

Very truly yours,


MARTIN & SEIBERT
Attorneys for Warm Springs Public
Service District

WDT:dll

LAW OFFICES
KAUFFELT & KAUFFELT
803 KANAWHA VALLEY BUILDING
POST OFFICE BOX 3082
CHARLESTON, WEST VIRGINIA 25331

T. D. KAUFFELT
JAMES D. KAUFFELT
MARK E. KAUFFELT

AREA CODE 304
345-1272

July 31, 1989

Warm Springs Public Service District
P. O. Box 456
Berkeley Springs, West Virginia 25411

Farmers Home Administration
400 Davis Avenue
Elkins, West Virginia 26241

Jackson and Kelly
P. O. Box 553
Charleston, West Virginia 25322

Re: \$300,000 Warm Springs Public Service District,
Sewer Revenue Bond, Series 1989

Gentlemen:

I have served as special counsel to the Warm Springs Public Service District (the "Issuer") in regard to certain matters concerning the Public Service Commission of West Virginia. In my role as special counsel, I was active in obtaining the Issuer's Certificate of Convenience and Necessity and approval of financing and rates granted by Orders on May 5, 1989, May 31, 1989, June 2, 1989 and June 7, 1989. Pursuant to the above-noted documents, I am of the opinion as follows:

The Issuer has recieved a Certificate of Convenience and Necessity and approval of financing, including the above-referenced Bond and rates from the Public Service commission of West Virginia and the above-referenced orders are in full force and effect and the appeal period has expired therefrom.

This opinion may be relied upon as if addressed to all counsel.

Very truly yours,



Kauffelt & Kauffelt
Special Counsel for Public
Service Commission matters