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**WETZEL COUNTY PUBLIC SERVICE DISTRICT
NUMBER ONE**

**WATER REVENUE BONDS, SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)**

DATE OF CLOSING: JUNE 27, 2006

BONDS TRANSCRIPT

STEPTOE & JOHNSON PLLC

John C. Stump, Esquire
707 Virginia Street, East
Chase Tower, Seventh Floor
Charleston, WV 25326
(304)353-8196
john.stump@step toe-johnson.com

Vincent A. Collins, Esquire
1085 Van Voorhis Road
United Center, Suite 400
Morgantown, WV 26505
(304)598-8161
vincent.collins@step toe-johnson.com

WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

**Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)**

BOND TRANSCRIPT

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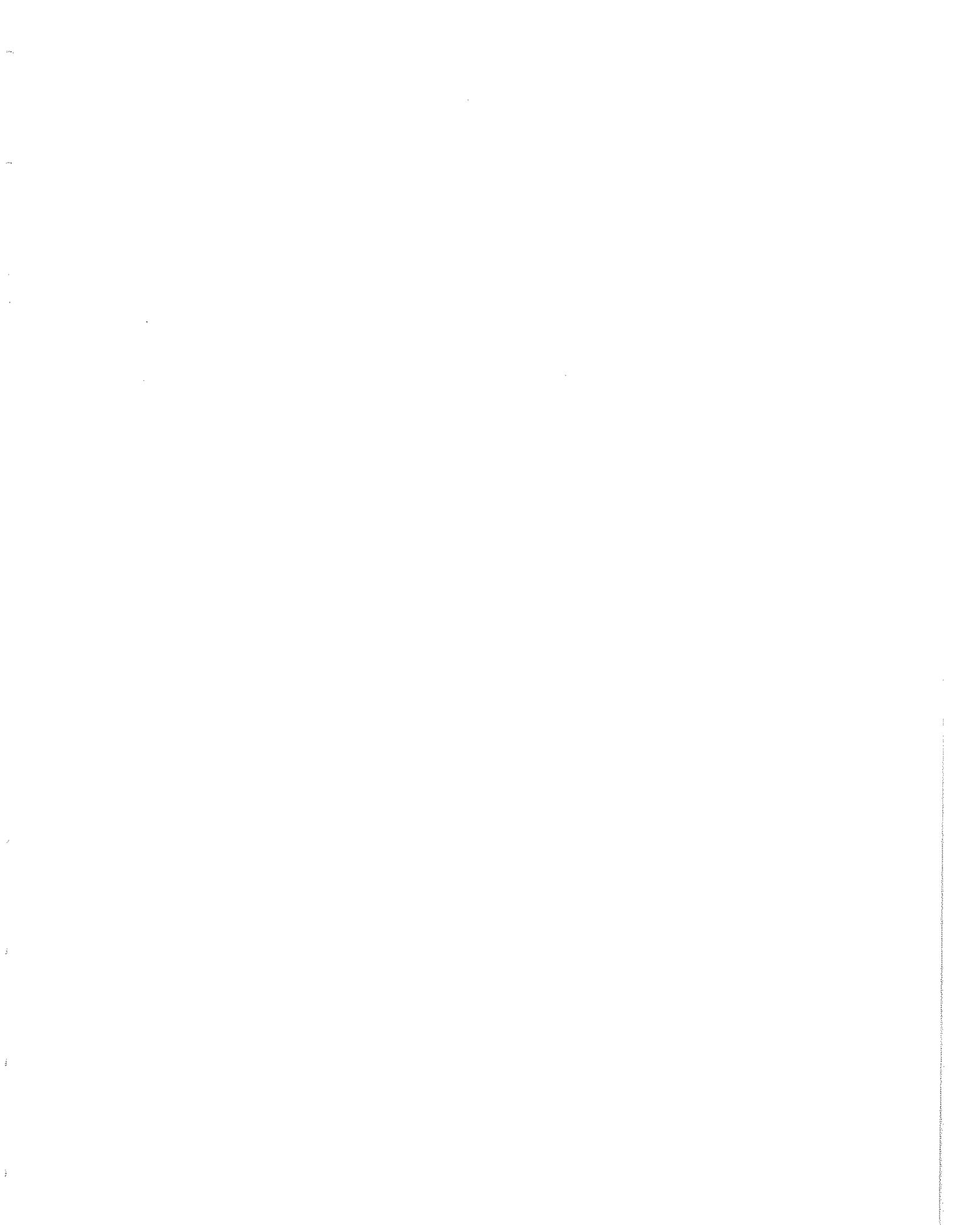
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WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

**Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)**

BOND RESOLUTION

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WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE, AND THE FINANCING OF A PORTION OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,200,000 AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

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

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

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

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of approximately 99,000 LF of 8", 6", 4", and 2" waterlines, a 130,000 gallon water storage tank, radio telemetry, fire hydrants, valves and related appurtenances to serve 194 new customers within the District presently without public water service, together with all appurtenant facilities (the "Project"). The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$4,154,000 of which not to exceed \$1,200,000 will be obtained from the proceeds of sale of the Series 2006 A Bonds herein authorized, \$1,654,000 will be obtained pursuant to grants from the United States Department of Agriculture, Rural Utilities Service, and \$1,300,000 will be obtained pursuant to a Small Cities Block Grant.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), in the aggregate principal amount of not more than \$1,200,000 (the "Series 2006 A Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2006 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the

acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2006 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Water Revenue Bonds, Series 1998 A (United States Department of Agriculture), dated September 22, 1998, issued in the original aggregate principal amount of \$912,000 (the "Series 1998 A Bonds"); and (ii) Water Revenue Bonds, Series 1993 A (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$154,839 (the "Series 1993 A Bonds"). There is also outstanding an obligation of the Issuer which will rank junior and subordinate to the Series 2006 A Bonds as to liens, pledge, source of and security for payment, being the Water Revenue Bonds, Series 1993 B (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$5,161 (the "Series 1993 B Bonds"). The Series 1998 A Bonds, the Series 1993 A Bonds, and the Series 1993 B Bonds are collectively referred to herein as the "Prior Bonds". Prior to the issuance of the Series 2006 A Bonds, the Issuer will obtain a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Series 1993 A Bonds and the Series 1998 A Bonds are met and, if required, the written consent of the Holders of the Prior Bonds to the issuance of the Series 2006 A Bonds on a parity with the Series 1998 A Bonds, and Series 1993 A Bonds, and senior and prior to the Series 1993 B Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2006 A Bonds as to liens, pledge and/or source of and security for payment; provided, that the Series 1993 B Bonds shall be junior and subordinate to the Series 2006 A Bonds.

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

H. It is in the best interest of the Issuer that the Series 2006 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated December 17, 2002, and March 3, 2005, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System,

including, without limitation, the imposition of rates and charges, and the issuance of the Series 2006 A Bonds, or will have so complied prior to issuance of the Series 2006 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 A Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2006 A Bonds.

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

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

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

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

"Bonds" means, collectively, the Series 2006 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

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

"Consulting Engineer" means Hornor Brothers Engineers, Clarksburg, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means WesBanco Bank, Inc., New Martinsville, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated December 17, 2002, and the Amended Letter of Conditions dated March 3, 2005, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2006 A Bonds in the then current or any succeeding year.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the Project and the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the Project and the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed one-sixth of the budgeted Operating Expenses stated

above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that, all monthly amortization payments upon the Bonds and into all funds and accounts have been made to the last monthly payment date prior to the date of such retention.

"Prior Bonds" means, collectively, the Issuer's Series 1998 A Bonds, Series 1993 A Bonds, and Series 1993 B Bonds.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, respectively adopted authorizing the issuance of the Prior Bonds.

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

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

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

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

"Secretary" means the Secretary of the Governing Body.

"Series 1998 A Bonds" means the outstanding Water Revenue Bonds, Series 1998 A, of the Issuer described in Section 1.02G hereof.

"Series 1993 A Bonds" means the outstanding Water Revenue Bonds, Series 1993 A, of the Issuer described in Section 1.02G hereof.

"Series 1993 B Bonds" means the outstanding Water Revenue Bonds, Series 1993 B, of the Issuer described in Section 1.02G hereof.

"Series 2006 A Bonds" means the Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND
CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$4,154,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2006 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2006 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2006 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of not to exceed \$1,200,000, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2006 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2006 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.375% per annum, and shall be sold for the par value thereof.

The Series 2006 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2006 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2006 A Bonds, and the right to principal of and stated interest on the Series 2006 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2006 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2006 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2006 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2006 A Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2006 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2006 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2006 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2006 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2006 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2006 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2006 A Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2006 A Bonds shall cease to be such officer of the Issuer before the Series 2006 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2006 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2006 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2006 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2006 A Bonds shall have

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

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2006 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Series 1998 A Bonds and the Series 1993 A Bonds, and senior and prior to the lien on such Net Revenues in favor of the Series 1993 B Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2006 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2006 A Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2006 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE
WATER REVENUE BONDS, SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$ _____

No. AR-1

Date: _____

FOR VALUE RECEIVED, on this the ____ day of _____, 2006, WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ (\$ _____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$ _____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) WATER REVENUE BONDS, SERIES 1998 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED SEPTEMBER 22, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$912,000; AND

2) WATER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED JUNE 28, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$154,839;

THIS BOND IS ISSUED SENIOR AND PRIOR AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 1993 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED JUNE 28, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$5,161.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a

purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

[Remainder of Page Intentionally Left Blank]

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

WETZEL COUNTY PUBLIC SERVICE
DISTRICT NUMBER ONE

[CORPORATE SEAL]

Chairman, Public Service Board
Wetzel County Public Service District Number One
P.O. Box 456
Reader, West Virginia 26167-0456

ATTEST:

Secretary, Public Service Board

(Form of)

RECORD OF ADVANCES

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

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

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

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Renewal and Replacement Fund (established by the Prior Resolutions);
- (3) Series 1998 A Bonds Reserve Account (established by the Prior Resolutions); and
- (4) Project Construction Account.

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

- (1) Series 1993 A Bonds Sinking Fund (established by the Prior Resolutions);
- (2) Series 1993 A Bonds Reserve Account (established by the Prior Resolutions);
- (3) Series 1993 B Bonds Sinking Fund (established by the Prior Resolutions);
- (4) Series 1993 B Bonds Reserve Account (established by the Prior Resolutions); and
- (5) Series 2006 A Bonds Reserve Account.

Section 4.02. Bond Proceeds; Project Construction Account . The proceeds of the sale of the Series 2006 A Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The monies in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank

by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

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

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2006 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

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

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

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

So long as any of the Series 2006 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2006 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2006 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2006 A Bonds as follows:

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

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

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

(2) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously (i) remit to the Commission, for deposit in the Series 1993 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest on and principal of the Series 1993 A Bonds; and (ii) remit to the National Finance Office, the amounts required to pay the interest on and principal of the Series 1998 A Bonds, and the amounts required to pay the interest on the Series 2006 A Bonds and to amortize the principal of the Series 2006 A Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Series 1993 A Bonds, the Series 1998 A Bonds, and the Series 2006 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, transfer from the Revenue Fund and remit (i) on the first day of each month, to the Depository Bank or the Commission, as applicable, the amounts required by the Prior Resolutions to be deposited in the Series 1993 A Bonds Reserve Account and the Series 1998 A Bonds Reserve Account; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2006 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2006 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the Series 2006 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2006 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2006 A Bonds, or for mandatory prepayment of the Series 2006 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2006 A Bond Reserve Account, so long

as the Series 2006 A Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund the amounts required by the Prior Resolutions for the Prior Bonds.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, for deposit in the Series 1993 B Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the principal of the Series 1993 B Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, for deposit in the Series 1993 B Bonds Reserve Account, the amounts required by the Prior Resolutions to be deposited therein.

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

Whenever the money in the Series 2006 A Bonds Reserve Account shall be sufficient to prepay the Series 2006 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2006 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2006 A Bonds Reserve Account. All amounts required for the Series 2006 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into such fund.

The Revenue Fund and the Series 2006 A Bonds Reserve Account shall constitute trust funds and shall be used only for the purposes and in the order

provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2006 A Bonds and the interest thereon.

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

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2006 A Bonds, the Series 1998 A Bonds, and the Series 1993 A Bonds in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission, at the direction of the Issuer, shall keep the monies in the Series 2006 A Bonds Reserve Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Investment Management Board. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2006 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually by the Commission to the Issuer and deposited in the Revenue Fund.

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

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2006 A Bonds, provide evidence that there will be at least 610 bona fide

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

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

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

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

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

Section 4.04. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 2006 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$1,200,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2006 A Bonds. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2006 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2006 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2006 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2006 A Bonds.

Section 5.02. Rates. Prior to the issuance of the Series 2006 A Bonds equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2006 A Bonds and the Prior Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2006 A Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2006 A Bonds Reserve Account, the Series 1993 B Bonds Reserve Account, and the Reserve Accounts for obligations on a parity with the Series 2006 A Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2006 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2006 A Bonds.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2006 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligation So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no additional Parity Bonds or

obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

So long as the Series 2006 A Bonds are outstanding, no Parity Bonds shall be issued at any time unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

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

The foregoing limitation may be waived or modified by the written consent of the Holders of the Series 2006 A Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2006 A Bonds are no longer outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by

the Issuer, the time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period herein above referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2006 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2006 A Bonds.

(c) Vehicular Public Liability Insurance in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer

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

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

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

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

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2006 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2006 A Bonds, a statutory mortgage lien upon the System is granted and

created by the Act, on a parity with the Series 1998 A Bonds and Series 1993 A Bonds, and senior and prior to the Series 1993 B Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2006 A Bonds.

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

(a) Failure to make payment of any monthly amortization installment upon the Series 2006 A Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2006 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

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

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

Section 5.09. Fiscal Year; Budget. While the Series 2006 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

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

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

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

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

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

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

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2006 A Bonds are outstanding.

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

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on November 17, 2005, Case No. 05-0661-PWD-19A, which Final Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds; Bonds Not Subject to Defeasance. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2006 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2006 A Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2006 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through direct payment to the Holder of the Series 2006 A Bonds of the outstanding principal of and accrued interest on the Bonds, the Issuer may not defease the Series 2006 A Bonds or otherwise provide for payment thereof by escrow or like manner.

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

Section 7.03. Delivery of Bonds The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2006 A Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2006 A Bonds.

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

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

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

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

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

Adopted this 23rd day of June 2006.

WETZEL COUNTY PUBLIC SERVICE
DISTRICT NUMBER ONE

By: Forest S. Tennant
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE on the 23rd day of June, 2006.

Dated: June 27, 2006.

[SEAL]


Secretary

06/20/06
963040.00001



WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

Water Revenue Bonds,
Series 1993 A and Series 1993 B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1993 A AND SERIES 1993 B, OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Wetzel County Public Service District Number One (the "Issuer"), has duly and officially adopted a bond and notes resolution, effective June 22, 1993 (the "Bond and Notes Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC WATERWORKS FACILITIES OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$154,839 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 A, NOT MORE THAN \$5,161 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 B, AND NOT MORE THAN \$250,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN

AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE
SALE AND PROVIDING FOR THE TERMS AND PROVISIONS
OF SUCH BONDS AND NOTES AND ADOPTING OTHER
PROVISIONS RELATING THERETO.

WHEREAS, the Bond and Notes Resolution provides for the issuance of Water Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed \$160,000, to be issued in two series, the Series 1993 A Bonds to be in an aggregate principal amount of not more than \$154,839 (the "Series 1993 A Bonds") and the Series 1993 B Bonds to be in an aggregate principal amount of not more than \$5,161 (the "Series 1993 B Bonds"), and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1993 A Bonds, dated June 28, 1993, and a supplemental loan agreement relating to the Series 1993 B Bonds, also dated June 28, 1993 (collectively, the "Loan Agreement"), both by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond and Notes Resolution it is provided that the form of the Loan Agreement and the exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amounts, the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

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

(A) The Water Revenue Bonds, Series 1993 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$154,839. The Series 1993 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2031, shall bear interest at the rate of 7.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1993, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1993 A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Water Revenue Bonds, Series 1993 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$5,161. The Series 1993 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2031, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1993 B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

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

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar") for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint First National Bank of New Martinsville, New Martinsville, West Virginia, as Depository Bank under the Bond and Notes Resolution.

Section 7. Series 1993 A Bonds proceeds in the amount of \$9,000 shall be deposited in the Series 1993 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1993 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1993 A Bonds Reserve Account and Series 1993 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1993 B Bonds Reserve Account.

Section 9. The remaining proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund for payment of Costs of the Project, including, without limitation, costs of issuance of the Bonds and repayment of any borrowings previously incurred with respect to the Project, if any.

Section 10. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, if any, including, but not limited to, all borrowings from the Authority.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond and Notes Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about June 28, 1993.

Section 12. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond and Notes Resolution held by the Depository Bank in repurchase agreements with maturities not exceeding thirty days, or, if unavailable, such moneys not invested in repurchase agreements shall be invested in time accounts secured by a pledge of Government Obligations with the Depository Bank, and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements and/or time accounts, until further directed by the Issuer. Moneys in the Sinking Funds for the Bonds shall be invested by the Municipal Bond Commission in the West Virginia restricted consolidated fund.

Section 14. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 22nd day of June, 1993.

WETZEL COUNTY PUBLIC SERVICE DISTRICT
NUMBER ONE

Forest S. Tennant
Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE on the 22nd day of June, 1993.

Dated: June 28, 1993.

[SEAL]


Secretary, Public Service Board

06/18/93
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WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

**WATER REVENUE BONDS,
SERIES 1993 A AND SERIES 1993 B
and
INTERIM CONSTRUCTION FINANCING**

BOND AND NOTES RESOLUTION

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WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC WATERWORKS FACILITIES OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$154,839 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 A, NOT MORE THAN \$5,161 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1993 B, AND NOT MORE THAN \$250,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Wetzel County Public Service District Number One (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Wetzel County of said State.

B. The Issuer does not presently own or operate a public waterworks system or public waterworks facilities, and it is deemed

necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain waterworks facilities of the Issuer, consisting of approximately 30,000 feet of 6-inch, 4-inch and 2-inch water lines and a 100,000 gallon storage tank to serve approximately 106 potential customers east of the City of New Martinsville in Wetzel County, together with all appurtenant facilities (collectively, the "Project") (the Project and any additions or improvements thereto or extensions thereof are herein called the "System") at an estimated cost of \$736,708, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than \$160,000 in two series, being the Series 1993 A Bonds in the aggregate principal amount of not more than \$154,839, and the Series 1993 B Bonds in the aggregate principal amount of not more than \$5,161 (collectively, the "Original Bonds"), and (at the option of the Issuer) to issue its waterworks system bond anticipation notes prior to issuance of the Original Bonds and contemporaneously therewith, or as soon as practicable thereafter, to issue its waterworks system grant anticipation notes and/or a note or notes evidencing a line of credit, or any combination of the foregoing (collectively, the "Notes"), in the aggregate principal amount of not more than \$250,000 to temporarily finance 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 or convenient therefor; interest upon the Notes during the term thereof and upon the Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and/or the Notes and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or

construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the Notes or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Original Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by supplemental resolution.

G. There are no outstanding obligations of the Issuer which will rank prior to, or on parity with, the Original Bonds as to liens, pledge, source of and security for payment. The grant anticipation notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues, certain proceeds of such grant anticipation notes and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such grant anticipation notes. The bond anticipation notes, if issued, will be payable from the proceeds of the Bonds, certain proceeds of such bond anticipation notes and the Net Revenues, if necessary, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such bond anticipation notes.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Bonds and the Notes, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of a Certificate of Public Convenience and Necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Bonds or any of the Notes or such final order will not be subject to appeal or rehearing.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes by those

who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds and Notes, respectively, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series and between any one Note of a series and any other Note of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

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

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

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

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

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

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

"Bond Year" means each one-year period (or shorter period from the date of issue of the Original Bonds) that ends at the close of business on October 1 of each calendar year, unless otherwise required under the Code.

"Bonds" means, collectively, the Original Bonds and any bonds hereafter issued on a parity with the Original Bonds.

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

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

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

"Consulting Engineers" means Hornor Brothers Engineers, Clarksburg, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

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

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

"Governing Body" or "Board" means the public service board of the Issuer, as it may now or hereafter be constituted.

"Government Obligations" means direct and general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury).

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of any grant anticipation notes.

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

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture which may, at the Issuer's option, be entered into between the Issuer and the Trustee relating to any or all of the Notes and all supplements or amendments thereto.

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

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

"Issuer" means Wetzel County Public Service District Number One, in Wetzel County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Original Bonds, plus accrued interest and premium, if any, less original issue

discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Original Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

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

"Notes" means, collectively, the not more than \$250,000 in aggregate principal amount of waterworks system bond anticipation notes, grant anticipation notes and/or notes evidencing a line of credit, or any combination of the foregoing, and originally authorized hereby, which may be issued by the Issuer, the terms of which shall be set forth in one or more Supplemental Resolutions, and unless the context clearly indicates otherwise, the terms "Notes" includes any refunding Notes of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture and/or the Supplemental Resolution pertaining to such Notes and its successors and assigns.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as

should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Original Bonds or the Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than \$154,839 in aggregate principal amount of Series 1993 A Bonds and the not more than \$5,161 in aggregate principal amount of Series 1993 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event Notes are issued, the original purchaser of such Notes, as shall be named in the Supplemental Resolution, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

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

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

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds and/or the Notes in the Indenture or in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

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

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain public waterworks facilities of the Issuer, consisting of approximately 30,000 feet of 6-inch, 4-inch and 2-inch water lines and a 100,000 gallon storage tank to serve approximately 106 potential customers east of the City of New Martinsville in Wetzel County, together with all appurtenant facilities.

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

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

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

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

"Registrar" means, as appropriate, either the Bond Registrar or the Notes Registrar, or both.

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

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

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

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

"Series 1993 A Bonds" means the not more than \$154,839 in aggregate principal amount of Water Revenue Bonds, Series 1993 A, of the Issuer.

"Series 1993 A Bonds Reserve Account" means the Series 1993 A Bonds Reserve Account established in the Series 1993 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1993 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1993 A Bonds in the then current or any succeeding year.

"Series 1993 A Bonds Sinking Fund" means the Series 1993 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1993 B Bonds" means the not more than \$5,161 in aggregate principal amount of Water Revenue Bonds, Series 1993 B, of the Issuer.

"Series 1993 B Bonds Reserve Account" means the Series 1993 B Bonds Reserve Account established in the Series 1993 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1993 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1993 B Bonds in the then current or any succeeding year.

"Series 1993 B Bonds Sinking Fund" means the Series 1993 B Bonds Sinking Fund established by Section 5.02 hereof.

"Small Cities Block Grant" means the grant from the United States Department of Housing and Urban Development, through the State of West Virginia, pursuant to the commitment therefor.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Original Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION
OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$736,708, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Notes and the Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1993 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Original Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than \$160,000. The Original Bonds shall be issued in two series, to be designated respectively, "Water Revenue Bonds, Series 1993 A," in the aggregate principal amount of not more than \$154,839, and "Water Revenue Bonds, Series 1993 B," in the aggregate principal amount of not more than \$5,161, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the grant anticipation notes, if any. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Original Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution. The Original Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Original Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be

exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

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

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such

Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost.

In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any

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

Section 3.07. Bonds not to be Indebtedness of the Issuer.

The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions. The payment of the debt service of all the Series 1993 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The payment of the debt service of all the Series 1993 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of the Series 1993 A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Renewal and Replacement Fund hereinafter set forth, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

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

[FORM OF SERIES 1993 A BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE
WATER REVENUE BOND,
SERIES 1993 A

No. AR- _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE, a public corporation and political subdivision of the State of West Virginia in Wetzel County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 199__. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 199__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new public waterworks facilities of the Issuer (the "Project"); (ii) [to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; ~~(iii) to fund a reserve account for the Bonds; and~~ (iv)] to pay certain costs of issuance hereof and related costs. The Project and any improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond and Notes Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Water Revenue Bonds, Series 1993 B, of the Issuer (the "Series 1993 B Bonds"), issued in the aggregate principal amount of \$_____, which Series 1993 B Bonds are junior and subordinate with respect to liens, pledge and source of and security for payment, and in all respects, to the Bonds.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1993 A Bonds Reserve Account") and unexpended proceeds of the Bonds and the Series 1993 B Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1993 A Bonds Reserve Account and unexpended proceeds of the Bonds and the Series 1993 B Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the

System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, the Series 1993 B Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1993 B Bonds, provided however, that so long as there exists in the Series 1993 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1993 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1993 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that

a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 199__.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1993 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199__.

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

2

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

[FORM OF SERIES 1993 B BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE
WATER REVENUE BOND,
SERIES 1993 B

No. BR-__

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE, a public corporation and political subdivision of the State of West Virginia in Wetzel County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 199__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new public waterworks facilities of the Issuer (the "Project"); (ii) [to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii)] to pay certain costs of issuance hereof and related costs. The Project and any improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond and Notes Resolution duly

adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR AND SUBORDINATE, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE ISSUER'S WATER REVENUE BONDS, SERIES 1993 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1993 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1993 A Bonds, and from all moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1993 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1993 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, the Series 1993 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity therewith, provided however, that so long as there exists in the Series 1993 B Bonds Reserve Account and the reserve account established for the Series 1993 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and the Series 1993 A Bonds in the then current or any succeeding year, and any reserve account for any such prior or parity obligations, is funded at least at the

requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of the Bonds, which lien is subordinate to the lien in favor of the registered owner of the Series 1993 A Bonds.

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

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, WETZEL COUNTY PUBLIC SERVICE DISTRICT
NUMBER ONE has caused this Bond to be signed by its Chairman and its
corporate seal to be hereunto affixed and attested by its Secretary,
and has caused this Bond to be dated _____, 199_____.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1993 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199__.

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

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

Section 3.11. "Amended Schedule A" Filing; Tender of Series 1993 B Bonds. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Series 1993 B Bonds to the Issuer for payment in an amount equal to such excess to the extent such excess is lawfully available therefor. Notwithstanding the foregoing, if the Issuer has Notes outstanding upon completion of acquisition and construction of the Project, it will advise the Authority of such fact and submit a second schedule to the Authority upon payment of such Notes, and the Authority will not tender its Series 1993 B Bonds for payment until the outstanding Notes have been paid.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts or issuance of the Bonds, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed \$250,000. The Notes may be in the form of bond anticipation notes, grant anticipation notes and/or as evidence of a line of credit from a commercial bank or other lender, or any combination of the foregoing, at the discretion of the Issuer, and as shall be set forth in one or more resolutions supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and/or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denominations, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or one or more supplemental resolutions, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Bonds or the Net Revenues (if issued in the form of bond anticipation notes) or the Grant Receipts, the Surplus Revenues and letter of credit proceeds (if issued in the form of grant anticipation notes) and from other sources described in the Indenture and/or such supplemental resolution or resolutions. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and/or the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for any Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree

to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed \$250,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter or letters of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created 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:

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

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

- (1) Series 1993 A Bonds Sinking Fund;
 - (a) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account.
- (2) Series 1993 B Bonds Sinking Fund;
 - (a) Within the Series 1993 B Bonds Sinking Fund, the Series 1993 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

- (1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System.
- (2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1993 A Bonds for which

interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1993 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1993 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1993 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1993 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1993 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1993 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1993 A Bonds, if not fully funded upon issuance of the Series 1993 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1993 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1993 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1993 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund, a sum equal

to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the reserves established with respect to the Series 1993 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1993 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 1993 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1993 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1993 B Bonds, if not fully funded upon issuance of the Series 1993 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1993 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1993 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1993 B Bonds Reserve Requirement.

Moneys in the Series 1993 A Bonds Sinking Fund and the Series 1993 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the

respective series of Bonds as the same shall become due. Moneys in the Series 1993 A Bonds Reserve Account and the Series 1993 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose, except for transfers to the Rebate Fund permitted hereunder.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the Rebate Fund permitted hereunder, any withdrawals from the Series 1993 A Bonds Reserve Account which result in a reduction in the balance of the Series 1993 A Bonds Reserve Account to below the Series 1993 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1993 A Bonds Sinking Fund have been made in full.

Except with respect to transfers to the Rebate Fund permitted hereunder, any withdrawals from the Series 1993 B Bonds Reserve Account which result in a reduction in the balance of the Series 1993 B Bonds Reserve Account to below the Series 1993 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account, the Renewal and Replacement Fund and the Series 1993 B Bonds Sinking Fund have been made in full.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate Reserve Account in an amount equal to the maximum provided and required to be paid into the

concomitant Sinking Fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

~~The Issuer shall not be required to make any further~~ payments into the respective Sinking Funds, or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

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

The payments into the Sinking Funds shall be made on the first day of each month, except that when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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

Except with respect to transfers to the Rebate Fund permitted hereunder, the Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used

for any lawful purpose of the System, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Renewal and Replacement Fund and the Rebate Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1993 A Bonds, there shall first be deposited with the Commission in the Series 1993 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1993 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1993 A Bonds, there shall be deposited with the Commission in the Series 1993 A Bonds Reserve Account, and from the proceeds of the Series 1993 B Bonds, there shall be deposited with the Commission in the Series 1993 B Reserve Account, the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1993 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

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

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the Rebate Fund permitted hereunder, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1993 A Bonds, and thereafter for the Series 1993 B Bonds. In the event that Notes are issued, the disposition of funds in the Bonds

Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority.

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

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(C) That each of such costs has been otherwise properly incurred; and

(D) That payment for each of the items proposed is then due and owing.

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

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

After completion of the Project, as certified by the Consulting Engineers, and all Costs thereof have been paid, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1993 A Bonds Reserve Account,

and when fully funded, to the Series 1993 B Bonds Reserve Account, provided that, in no event shall more than 10% of the proceeds from the sale of any or all of the Original Bonds be deposited in any or all of the Reserve Accounts, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1993 B Bonds to the Issuer pursuant to the provisions of the Supplemental Loan Agreement, such moneys shall be applied to the purchase of such Series 1993 B Bonds.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.09 shall not be applied to the Grant Anticipation Notes or any line of credit evidenced by such Grant Anticipation Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions. The payment of the debt service of the Series 1993 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System. The payment of the debt service of the Series 1993 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the Holders of the Series 1993 A Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond

Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Order of the Public Service Commission of West Virginia entered April 9, 1993 (Case No. 92-0987-PWD-CN), and such rates are hereby adopted.

Section 7.05. Sale of the System. Except as otherwise required by law or with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and the Notes, if any, Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the respective Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution and/or the Indenture, prior thereto.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and

Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to any or all of the Notes issued under the Indenture and/or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture (if an Indenture is used) and the Bond Legislation; and, so long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from any or all of the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1993 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of

the Bonds and payable from any or all of the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1993 A Bonds and the Series 1993 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any or all of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of any or all of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1993 B Bonds. No Parity Bonds shall be issued which shall be payable out of any or all of the revenues of the System on a parity with the Series 1993 A Bonds, unless the Series 1993 B Bonds are no longer outstanding.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become

due in any succeeding Fiscal Year for principal of and interest on the following:

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1993 A Bonds and the Series 1993 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1993 A Bonds or the Series 1993 B Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds or of a Note or Notes issued pursuant to this Bond Legislation and/or the Indenture or the Trustee shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Consulting Engineers, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation and the Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

(C) The amount of the Bonds, Notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall submit said report to the Trustee and the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's operation and maintenance expenses and debt service requirements.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and

charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions

authorizing increased expenditures for operation and maintenance to the Trustee and the Authority and to any Holder of any Bonds or Notes, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for ~~operation and maintenance of the System at all reasonable times to the~~ Trustee and the Authority and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's operation and maintenance expenses and debt service requirements.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services

of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. If the water facilities are not owned by the Issuer, then the Issuer shall enter into a termination agreement with the water provider.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds or any of the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis

(completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$300,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(6) FIDELITY BONDS will be provided as to every officer and employee of the Issuer having custody of the Gross Revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.15. [Reserved]

Section 7.16. Completion and Operation of Project. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Original 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 Original Bonds during the term thereof is, under the terms of the Original Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Original 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 Original Bonds during the term thereof is, under the terms of the Original Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Original 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 Original 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 the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

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

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

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Original Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective Series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1993 B Bonds shall be junior to the statutory mortgage lien in favor of the Holders of the Series 1993 A Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, 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 except as otherwise provided herein with respect to the Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Trustee, if any, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Trustee, if any, the Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Trustee, if any, and the Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to assure the

exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Original Bonds which would cause the Original Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Original Bonds) so that the interest on the Original 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. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Original Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Original Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder or under the Indenture, if any, and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The

Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. 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, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Original Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. A. Each of the following events shall constitute an "Event of Default" with respect to the Notes:

(1) If default occurs in the due and punctual payment of the principal of or interest on any Notes; or

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

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

B. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, ~~in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Notes or Bonds, as the case may be, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders, and provided further, that all rights and remedies of the Holders of the Series 1993 B Bonds shall be subject to those of the Holders of the Series 1993 A Bonds.~~

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond or bond anticipation note or a bond anticipation note evidencing a line of credit may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds or bond anticipation notes or bond anticipation note evidencing such line of credit any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for Reserve Accounts, Sinking Funds or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1993 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1993 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1993 A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1993 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1993 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1993 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1993 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1993 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1993 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior

to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1993 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1993 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1993 B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1993 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1993 B Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of such Series 1993 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1993 B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of said Series 1993 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of said Series 1993 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such

reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.03. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of any series of Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture and/or the Supplemental Resolution pertaining to such Notes, then with respect to such Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Notes from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes, the Series 1993 A Bonds or the Series 1993 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Original Bonds and the Notes, if any, from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Bonds and Notes, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, the Indenture, if any, the Bonds or the Notes, if any.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Wetzel County Public Service District Number One and within the boundaries of the District, a Class II legal advertisement stating:

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

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

(c) The public service properties to be acquired or constructed and the cost of the same;

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

(e) The date that the formal application for a Certificate of Public Convenience and Necessity is to be filed with the Public Service Commission of West Virginia.

Section 11.08. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 22nd day of June, 1993.

Forrest S. Tennant
Chairman, Public Service Board

Bonnie J. Brouse
Member, Public Service Board

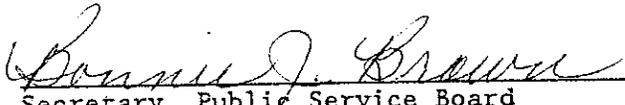
Norman Keith Kel
Member, Public Service Board

CERTIFICATION

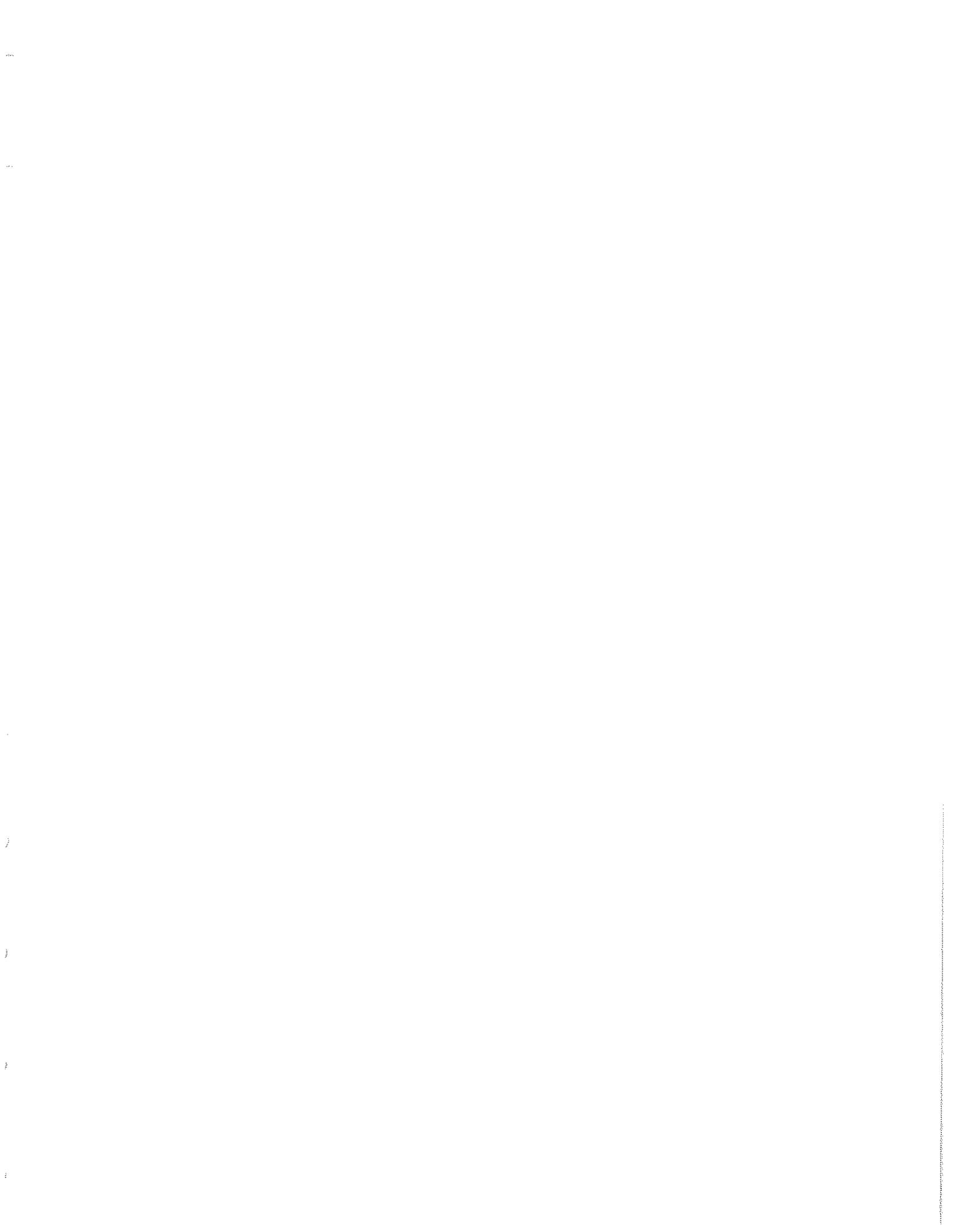
Certified a true copy of a Resolution duly adopted by the
Public Service Board of WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER
ONE on the 22nd day of June, 1993.

Dated: June 28, 1993.

[SEAL]


Secretary, Public Service Board

06/17/93
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96304/92001



WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

**Water Revenue Bonds, Series 1998 A
(United States Department of Agriculture)**

BOND RESOLUTION

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WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$912,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

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

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

A. The Issuer currently owns and operates a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, improvements and extensions to such existing

waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of approximately 99,500 linear feet of water lines, incorporating one booster station and one water storage tank to serve 345 potential customers and all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$2,762,000, of which \$912,000 will be obtained from the proceeds of sale of the Series 1998 A Bonds herein authorized, \$700,000 will be obtained from a grant from the Purchaser, \$750,000 will be obtained from a grant from the Appalachian Regional Commission, and \$400,000 will be obtained from a grant from the United States Department of Housing Urban Development (Small Cities Block Grant through the State of West Virginia).

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 1998 A (United States Department of Agriculture), in the aggregate principal amount of \$912,000 (the "Series 1998 A Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 1998 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the

Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There is outstanding an obligation of the Issuer which will rank on a parity with the Series 1998 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bonds, Series 1993 A, dated June 28, 1993, issued in the original aggregate principal amount of \$154,839 (the "Series 1993 A Bonds"), and held by the West Virginia Water Development Authority (the "Authority"). There is outstanding an obligation of the Issuer which will rank junior and subordinate to the Series 1998 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bonds, Series 1993 B, dated June 28, 1993, issued in the original aggregate principal amount of \$5,161 (the "Series 1993 B Bonds"), and held by the Authority. The Series 1993 A Bonds and the Series 1993 B Bonds are collectively referred to herein as the "Prior Bonds". Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 1998 A Bonds as to liens, pledge and/or source of and security for payment.

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

H. It is in the best interest of the Issuer that the Series 1998 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated January 31, 1997, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 1998 A Bonds, or will have so complied prior to issuance of the Series 1998 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1998 A Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the

covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 1998 A Bonds.

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

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

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

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

"Bonds" means, collectively, the Series 1998 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

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

"Consulting Engineer" means Hornor Brothers Engineers, Clarksburg, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated January 31, 1997, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1998 A Bonds in the then current or any succeeding year.

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

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

"Prior Bonds" means, collectively, the Series 1993 A Bonds and the Series 1993 B Bonds of the Issuer described in Section 1.02G hereof.

"Prior Resolution" means, collectively, the resolution and the supplemental resolution of the Issuer, adopted June 22, 1993, authorizing the Prior Bonds.

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

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

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;
- (e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC (hereinbefore defined) or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;
- (f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;
- (g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable

coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor, must have (or its agent must have) possession of such collateral, and such collateral must be free of all claims by third parties;

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

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

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

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

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

"Secretary" means the Secretary of the Governing Body.

"Series 1998 A Bonds" means the Water Revenue Bonds, Series 1998 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 1993 A Bonds" means the outstanding Water Revenue Bonds, Series 1993 A, of the Issuer described in Section 1.02G hereof.

"Series 1993 B Bonds" means the outstanding Water Revenue Bonds, Series 1993 B, of the Issuer described in Section 1.02G hereof.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the respective Reserve Accounts.

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of \$2,762,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1998 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 1998 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 1998 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of \$912,000, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 1998 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 1998 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.75% per annum, and shall be sold for the par value thereof.

The Series 1998 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 1998 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 1998 A Bonds, and the right to principal of and stated interest on the Series 1998 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 1998 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 1998 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 1998 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 1998 A Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 1998 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 1998 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 1998 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 1998 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 1998 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 1998 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 1998 A Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1998 A Bonds shall cease to be such officer of the Issuer before the Series 1998 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 1998 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 1998 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 1998 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 1998 A Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. **Bonds Secured by Pledge of Net Revenues.** The payment of the debt service of the Series 1998 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Series 1993 A Bonds and senior and prior to the Series 1993 B Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 1998 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1998 A Bonds and the Prior Bonds as the same become due.

Section 3.08. **Form of Bond.** Subject to the provisions hereof, the text of the Series 1998 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

WATER REVENUE BOND, SERIES 1998 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$912,000

No. AR-1

Date: September 22, 1998

FOR VALUE RECEIVED, WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of NINE HUNDRED TWELVE THOUSAND DOLLARS (\$912,000), plus interest on the unpaid principal balance at the rate of 4.75% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$4,332, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted September 8, 1998, authorizing issuance of this Bond (the "Resolution").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 1993 A, AND SENIOR AND PRIOR TO THE BORROWER'S WATER REVENUE BONDS, SERIES 1993 B, ALL AS DESCRIBED IN THE RESOLUTION.

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

WETZEL COUNTY PUBLIC SERVICE
DISTRICT NUMBER ONE
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 456

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

Reader, West Virginia 26167
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

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

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

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

- (1) Revenue Fund (established by the Prior Resolution);
- (2) Renewal and Replacement Fund (established by the Prior Resolution);
- (3) Series 1998 A Bonds Reserve Account; and
- (4) Project Construction Account.

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

- (1) Series 1993 A Bonds Sinking Fund (established by the Prior Resolution);
- (2) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account (established by the Prior Resolution);
- (3) Series 1993 B Bonds Sinking Fund (established by the Prior Resolution);
and
- (4) Within the Series 1993 B Bonds Sinking Fund, the Series 1993 B Bonds Reserve Account (established by the Prior Resolution).

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 1998 A Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

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

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 1998 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

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

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

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 1998 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1998 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 1998 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 1998 A Bonds as follows:

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

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

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Commission,

the amounts required by the Prior Resolution to be deposited into the Series 1993 A Bonds Sinking Fund for payment of interest on and principal of the Series 1993 A Bonds; and (ii) to the National Finance Office, the amounts required to pay the interest on the Series 1998 A Bonds and to amortize the principal of the Series 1998 A Bonds over the life of such Bond issue.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Commission for deposit into the Series 1993 A Bonds Reserve Account, the amount required by the Prior Resolution; and (ii) to the Depository Bank for deposit into the Series 1998 A Bonds Reserve Account, 0.4167% of the Minimum Reserve, until the amount in the Series 1998 A Bonds Reserve Account equals the Minimum Reserve. Moneys in the Series 1998 A Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 1998 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 1998 A Bonds, or for mandatory prepayment of the Series 1998 A Bonds as hereinafter provided, and for no other purpose.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, (i) a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve accounts as required by the Prior Resolution; and (ii) 0.4167% of the Minimum Reserve, until the amount in the Series 1998 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 1998 A Bonds are outstanding; provided, however, that in the event Revenues are insufficient to fund the Series 1998 A Bonds Reserve Account in accordance with Section 4.03B(3)(ii) above, or a withdrawal of funds from the Series 1998 A Bonds Reserve Account is made, payment of Revenues into the Renewal and Replacement Fund as provided in this Section 4.03B(4)(ii) shall not be made, but instead Revenues shall be applied to the replenishment of the Series 1998 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Renewal and Replacement Fund as provided in this Section 4.03B(4)(ii) shall resume. Moneys in the Renewal and Replacement Fund shall be used first to make up any deficiencies for monthly payments of interest on

and principal of the Series 1993 A Bonds and the Series 1998 A Bonds as the same become due, and next to restore to the Series 1993 A Bonds Reserve Account and the Series 1998 A Bonds Reserve Account any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, moneys in the Renewal and Replacement Fund may be withdrawn by the Issuer and used for replacements, repairs, improvements or extensions to the System.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, the amount required by the Prior Resolution to be deposited into the Series 1993 B Bonds Sinking Fund for payment of principal of the Series 1993 B Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, the amount required by the Prior Resolution to be deposited into the Series 1993 B Bonds Reserve Account.

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

Whenever the money in the Series 1998 A Bonds Reserve Account shall be sufficient to prepay the Series 1998 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 1998 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Series 1998 A Bonds Reserve Account and the Renewal and Replacement Fund as herein provided, and all amounts required for the Series 1998 A Bonds Reserve Account and the Renewal and Replacement Fund will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

The Revenue Fund, the Series 1998 A Bonds Reserve Account and the Renewal and Replacement Fund shall constitute trust funds and

shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 1998 A Bonds and the interest thereon.

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

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 1998 A Bonds and the Series 1993 A Bonds, and thereafter, with respect to the Series 1993 B Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolution, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Series 1998 A Bonds Reserve Account and the Renewal and Replacement Fund invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Investment Management Board. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from moneys in the Series 1998 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Depository Bank.

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

D. **USER CONTRACTS.** The Issuer shall, prior to delivery of the Series 1998 A Bonds, provide evidence that there will be at least 276 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

Section 4.04. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 1998 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$500,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 1998 A Bonds or the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 1998 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1998 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 1998 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 1998 A Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 115% of the annual debt service on the Series 1998 A Bonds and the Prior Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 1998 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 1998 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

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

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 1998 A Bonds.

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

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

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

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$50,000 upon

the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 1998 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 1998 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Series 1993 A Bonds and senior and prior to the Series 1993 B Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 1998 A Bonds.

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

(a) Failure to make payment of any monthly amortization installment upon the Series 1998 A Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 1998 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

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

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to

obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.09. Fiscal Year; Budget. While the Series 1998 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

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

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

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

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

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

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 1998 A Bonds are outstanding.

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

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on August 4, 1998, Case No. 97-1497-PWD-CN, which Final Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 1998 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1998 A Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 1998 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

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

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 1998 A Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 1998 A Bonds.

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

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

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

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

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

Adopted: September 8, 1998.

WETZEL COUNTY PUBLIC SERVICE
DISTRICT NUMBER ONE



Chairman



Member



Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE on the 8th day of September, 1998.

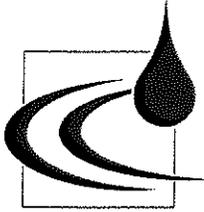
Dated: September 22, 1998.

[SEAL]


Secretary

09/03/98
963040/97001





WEST VIRGINIA

Water Development Authority

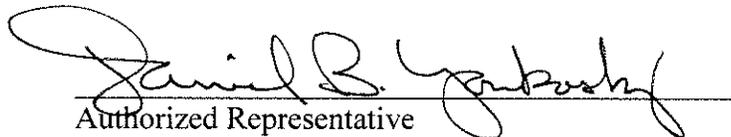
Celebrating 31 Years of Service 1974 - 2005

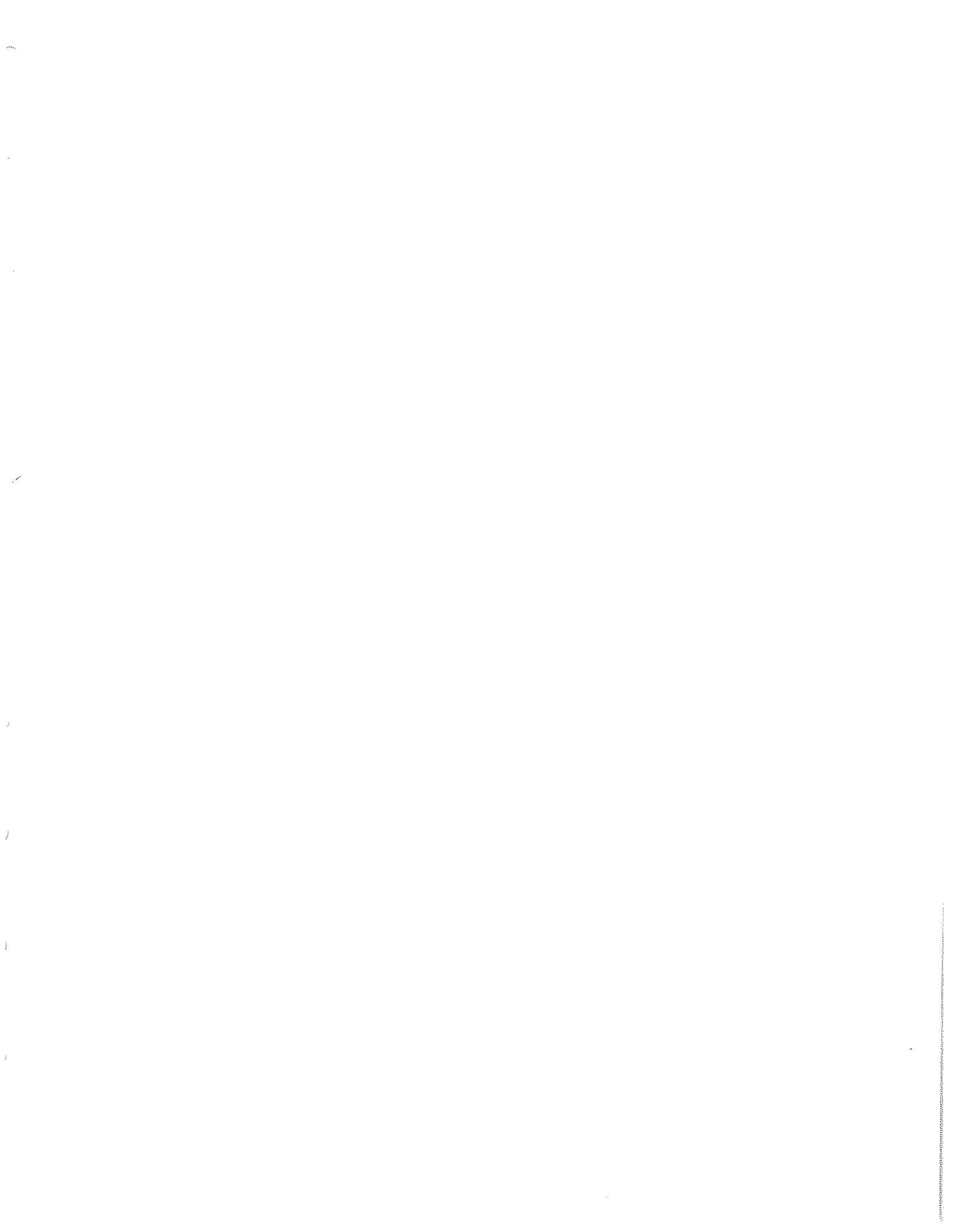
June 27, 2006

Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the West Virginia Water Development Authority the registered owner of the 1993 Bonds, hereinafter defined and described, in reliance upon the certificate of Willie Baker AC, independent public accountant and the opinion of Steptoe & Johnson PLLC (copies attached) that Wetzel County Public Service District Number One (the "Issuer") has met the coverage and parity tests set forth in the Resolution authorizing the 1993 Bonds (the "1993 Resolution"), hereby consents to the issuance of the Water Revenue Bonds, Series 2006 A (United States Department of Agriculture) (the "Series 2006 A Bonds"), in the original aggregate principal amount of \$925,000, by the Issuer, under the terms of the resolution authorizing the Series 2006 A Bonds (the "Resolution") on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's Water Revenue Bonds, Series 1993 A (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$154,839, and senior and prior, with respect to liens, pledge and source of and security for payment, with the Issuer's Water Revenue Bonds, Series 1993 B (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$5,161 (collectively, the "1993 Bonds").


Authorized Representative





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

June 27, 2006

Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the entire outstanding aggregate principal amount of the Series 1998 A Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2006 A (United States Department of Agriculture) (the "Series 2006 A Bonds"), in the original aggregate principal amount of \$925,000 by Wetzel County Public Service District Number One (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Series 2006 A Bonds (the "Resolution"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 1998 A (United States Department of Agriculture), dated September 22, 1998, issued in the original aggregate principal amount of \$912,000 (the "Series 1998 A Bonds"); (ii) waives any requirements imposed by the Series 1998 A Bonds or the resolutions authorizing the Series 1998 A Bonds (the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Series 2006 A Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolution by the Resolution, if any.

UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE

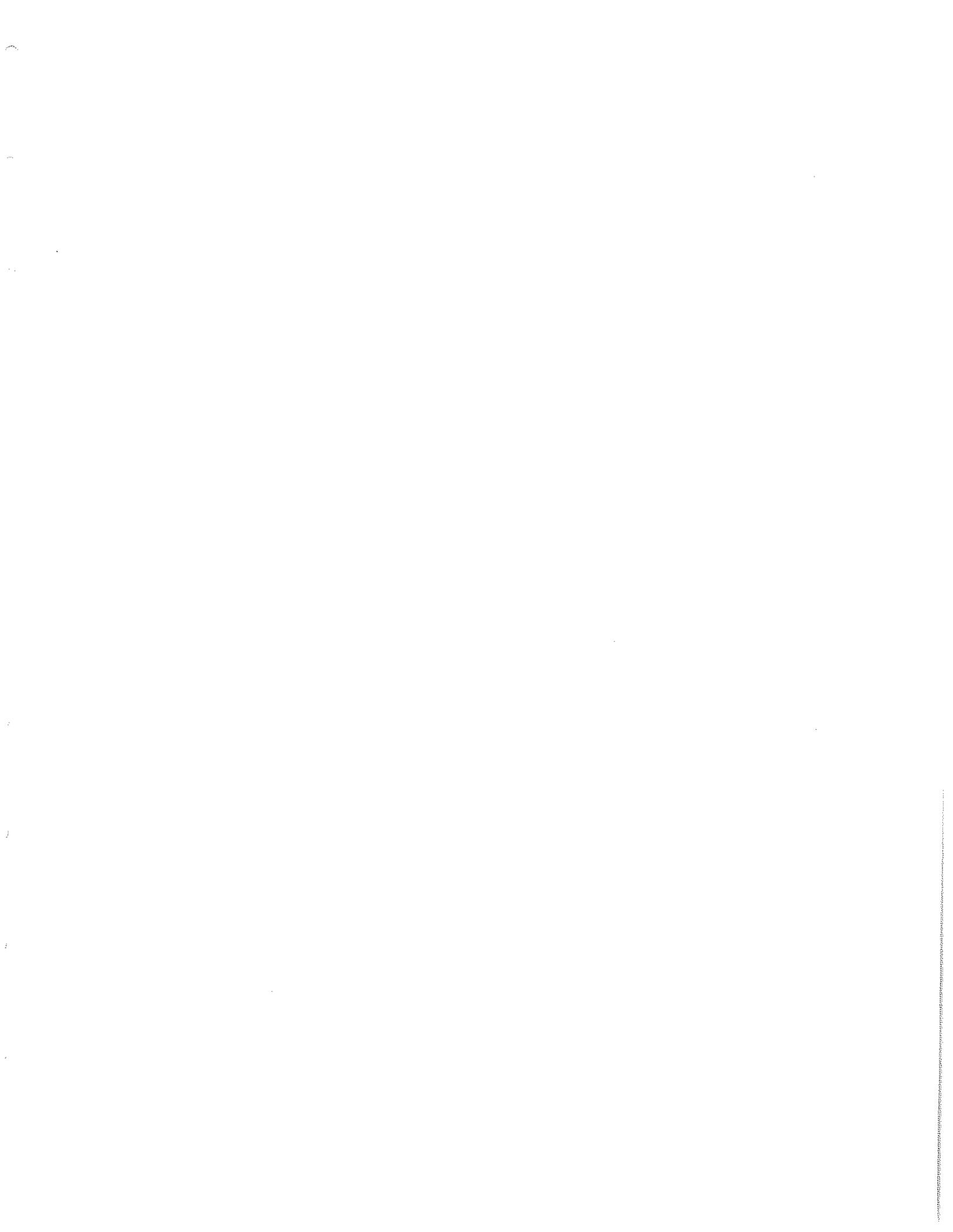
A handwritten signature in black ink, consisting of a series of loops and curves, positioned above a horizontal line.

State Director

75 High Street Federal Building • Suite 320 • Morgantown, WV 26505-7500
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**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 9th day of June, 2006.

CASE NO. 05-1239-PWD-CN (Reopened)

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1,
Reader, Wetzel County.

Application for a certificate of convenience and necessity to construct approximately 118,000 LF of 8", 6", 4" and 2" waterlines, one water storage tank, one chemical feed station, and radio telemetry to serve approximately 224 new customers.

COMMISSION ORDER

The Commission shall grant the District's petition for approval of revised project financing and increased project costs.

BACKGROUND

By Recommended Decision entered on December 12, 2005, which became a final order on January 1, 2006, the Commission granted a certificate of convenience and necessity to the Wetzel County Public Service District No. 1 (District) to construct certain improvements to its water system in Wetzel County, including approximately 118,000 LF of various sized water lines, a new 100,000 gallon storage tank, 1 chemical feed station and radio telemetry to serve approximately 280 potential new customers in the communities of Jacksonburg, Barker and other areas in the vicinity of US Route 20 in Wetzel County.

The Commission also approved a project cost of \$3,560,000, which was to be financed by a loan from the USDA, Rural Utilities Service (RUS), in the amount of \$780,000 for a term of 40 years at an interest rate of 4.625%; a grant from the RUS in the amount of \$1,480,000; and a Small Cities Block Grant in the amount of \$1,300,000.

The District was required to request a reopening of this case should there be any changes in the plans, scope and terms of financing of the project.

On May 24, 2006, the District filed a petition to reopen this certificate case to approve increased financing and project costs. The District indicated that it opened bids for the project on March 21, 2006. Those bids came in more than \$1,000,000 over budget. The District revised the contract documents to reflect five deductive alternatives and re-bid the project on May 4, 2006. After the re-bid, the project came in over budget by \$319,000 upon using the deductive alternatives.

The District proposed to finance the additional costs by increasing its RUS loan by \$150,000 and increasing the RUS grant by \$169,000. The District noted that if it can close on the RUS loan before June 23, 2006, it will be able to take advantage of a lower interest rate of 4.375%. The District indicated that the increased costs and financing would not necessitate a rate increase. The District asked that the Commission issue an order by June 9, 2006, to facilitate the June 23, 2006, closing.

On June 7, 2006, Staff filed its Initial and Final Joint Staff Memorandum. Staff opined that the Town had sufficient cash flow to cover the increased debt. Staff noted that the District had not yet submitted the funding commitment letters for the revised financing. However, in order to take advantage of the current bids and the current interest rates, Staff recommended that the Commission approve the revised funding subject to the filing of the funding commitment letters.

DISCUSSION

Based on a review of the foregoing, the Commission concludes that the District's petition should be approved.

FINDINGS OF FACT

1. On May 24, 2006, the District asked that this proceeding be reopened for expedited approval of revised project financing and costs in the amount of \$319,000, due to a bid overrun.
2. The District proposed to finance the additional costs by increasing the amount of its RUS loan by \$150,000 and increasing the RUS grant by \$169,000. If the District can close on the RUS loan before June 23, 2006, it will be able to take advantage of a lower interest rate of 4.375%.

3. The District requested an order approving the revised financing by June 9, 2006, in order to facilitate the June 23, 2006, closing.

5. Staff opined that the Town had sufficient cash flow to cover the increased debt. Staff noted that the District had not yet submitted the funding commitment letters for the revised financing. However, in order to take advantage of the current bids and the current interest rates, Staff recommended that the Commission approve the revised funding subject to the filing of the funding commitment letters.

CONCLUSIONS OF LAW

1. It is reasonable to approve the District's request to increase project costs and financing by \$319,000.

2. It is reasonable to authorize the District to finance the additional costs by increasing the amount of its RUS loan by \$150,000 and increasing the RUS grant by \$169,000.

3. The approval of the revised financing is subject to the District filing copies of its funding commitment letters.

ORDER

IT IS, THEREFORE, ORDERED that Wetzel County Public Service District No. 1's petition to reopen for approval of increased project costs and revised financing in the amount of \$319,000, consisting of an additional \$150,000 RUS loan and an additional RUS grant in the amount of \$169,000, is hereby approved subject to the filing of the funding commitment letters.

IT IS FURTHER ORDERED that if there are any changes in loans or grants related to the project, Wetzel County Public Service District No. 1 must seek Commission approval of those changes, pursuant to *W. Va. Code* § 16-13A-25.

IT IS FURTHER ORDERED that if there are changes in the project's plans or scope, as well as the terms of any financing other than grants or loans which affect rates, Wetzel County Public Service District No. 1 must seek the Commission's approval of those changes.

IT IS FURTHER ORDERED that if there is a change in the project cost that does not affect rates, Wetzel County Public Service District No. 1 need not petition to reopen this case for further Commission approval, except as required by *W. Va. Code* § 16-13A-25. Instead,

Wetzel County Public Service District No. 1 must file an affidavit from its certified public accountant verifying that rates are not affected.

IT IS FURTHER ORDERED that upon entry of this order, this case shall be removed from the Commission's docket of active cases.

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

A True Copy, Teste:


Sandra Squire
Executive Secretary

JMH/las
051239cb.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

051239alj121205.wpd

Entered: December 12, 2005

FINAL

1-1-06

CASE NO. 05-1239-PWD-CN

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1,
Reader, Wetzel County.

Application for a certificate of convenience and necessity to construct approximately 118,000 LF of 8", 6", 4" and 2" waterlines, one water storage tank, one chemical feed station, and radio telemetry to serve approximately 224 new customers.

RECOMMENDED DECISION

On August 24, 2005, Wetzel County Public Service District No. 1 (District) filed an application, duly verified, for a certificate of convenience and necessity to construct certain improvements to its water system in Wetzel County, including approximately 118,000 LF of various sized water lines, a new 100,000 gallon storage tank, 1 chemical feed station and radio telemetry to serve approximately 280 potential new customers in the communities of Jacksonburg, Barker and other areas in the vicinity of US Route 20 in Wetzel County. The District indicated that service was not now rendered to those locations by an existing utility, corporation or person. The certificate application further indicated that residents living within that area suffer from an inadequate supply and/or poor quality of water from existing private wells.

The District estimated that construction would cost approximately \$3,560,000, and would be financed by a loan from the USDA, Rural Utilities Service (RUS), in the amount of \$780,000; a grant from the RUS in the amount of \$1,480,000; and a Small Cities Block Grant in the amount of \$1,300,000. The District initially requested an increase in its rates of approximately 60% to fund the project. Attached to the application were a preliminary Rule 42 Exhibit; a permit from the Office of Environmental Health Services, State of West Virginia, designated as Permit No. 16,200, and dated August 24, 2004, for the construction contained in the certificate application; a permit from the Division of Highways for the project; a commitment letter for the RUS funding and letters of commitment for the Small Cities Block Grant; an engineering report prepared by the project engineers; the District's last Annual Report for the year ended June 30, 2004; and project plans and specifications.

Also on August 24, 2005, the Commission issued a Notice of Filing Order, requiring the District to publish said Notice one time in a newspaper duly qualified by the Secretary of State, published and of general circulation in Wetzel County. Anyone affected by the application was given leave to file written protest no later than thirty (30) days from the date of publication. If no protests were filed within that 30-day period, the Commission could grant the application without hearing.

On September 6, 2005, Staff Attorney C. Terry Owen filed the Initial Joint Staff Memorandum, attached to which was the Initial Internal Memorandum prepared by Utility Analysts Scott McNeely and Sean P. Ireland, of the Commission's Water and Wastewater Division, and Technical Analyst David Holley of the Commission's Engineering Division. Technical Staff indicated that it required additional information from the Applicant and that it would make a final recommendation upon receipt of that additional information. Concurrently with the filing of the Initial Joint Staff Memorandum, the Staff Attorney filed Staff's First Set of Data Requests for the District.

By Commission Order entered on September 23, 2005, this proceeding was referred to the Division of Administrative Law Judges for a decision to be rendered on or before December 22, 2005.

On September 30, 2005, the District filed a letter with the Commission asking permission to not publish the rates proposed in the application for this project. The District noted that it had a Publication Order for a general rate increase in a pending 19A proceeding, Case No. 05-0661-PWD-19A, which was to be published in the near future. The District wanted to publish the rates from the 19A case and wait to publish the proposed rates for the project until after the public comment period expires in the current rate case. The District thought that having two different sets of rates published at the same time would only confuse the District's customers.

On October 3, 2005, Commission Staff filed a motion to compel the District to respond to its First Set of Data Requests.

By Order entered on October 5, 2005, the Commission modified the Referral Order by establishing December 22, 2005, as the date for rendering a decision in this matter, if it is unopposed, and establishing a decision due date of March 21, 2006, if public protest is received within thirty days after the notice has been published.

On October 11, 2005, the District filed information in response to the Staff data requests. Included with the information was a letter indicating that the need for a potable water system in the area of application is due to the lack of quality and quantity of water in that area. The District stated that, while water is needed by all people for varying reasons, it is now more critical that the subject system be built as soon as possible. According to the District, the concern has to do with flooding which occurred in the area in September of 2004. At least 50 or more private water wells were deemed unsafe for consumption after the flooding. All of those people have to buy water for cooking and

drinking. Additionally, drought conditions have added more problems for these residents. Water quality is also a concern for the residents of the Jacksonburg area, due to additional homes and trailers being built wherever space permits, causing additional sewage to infiltrate the water table. Several tests have confirmed the presence of either e-coli or fecal coliform bacteria. Additionally, because of the actions of oil producing companies in the region, many water wells have been fouled with oil and gas. Finally, the District noted that a central water system would help protect the population and property from devastation by fire.

Also included in the filing were the sanitary survey of the District performed by the State of West Virginia, Department of Health and Human Resources, indicating that the system was rated as commendable; a ledger of tap fee payments, indicating that 215 customers have paid tap fees to the District to connect to the system; a ledger of individuals who declined to pay the tap fee to connect to the system, which contained 114 names; copies of all the signed user agreements obtained by the District to that date; a letter from the New Martinsville Superintendent indicating that the City of New Martinsville has the necessary capacity to supply the quantities necessary to construct the extension; and a copy of the water operator classification and certificate number for the District's plant operator.

On October 21, 2005, Staff Attorney Owen filed the Second Initial Joint Staff Memorandum, attached to which was the Internal Memorandum prepared by Utilities Analysts Ireland and McNeely and Nathan Nelson, and Technical Analyst Holley. The District indicated that the Staff-recommended rates in Case No. 05-0661-PWD-CN are adequate to cover the costs of the project. Therefore, if the Staff-recommended rates in the 19A case are approved, the District will not require a further rate increase for the certificate case. Staff noted that completion of the project will increase the District's operation and maintenance expenses and debt service expenses by \$104,196 annually. However, the additional revenue generated by the projected 224 additional customers is estimated to be \$110,776 per year. Therefore, Staff recommended that the District publish the rates contained in Staff's recommended tariff in the Staff Report filed in Case No. 05-0661-PWD-19A, since those rates would be sufficient to cover the project costs in this case.

On October 28, 2005, Commission Staff filed a Final Joint Staff Memorandum herein, recommending that the certificate be granted and including in the recommended rates a preconstruction tap fee of \$100 for use by the District.

By Procedural Order issued on October 28, 2005, the District's request was granted and it was directed to publish a revised Notice of Filing attached to the Procedural Order, incorporating the Staff-recommended rates from Case No. 05-0661-PWD-19A. Contemporaneously with the Procedural Order of October 28, 2005, the Recommended Decision in Case No. 05-0661-PWD-19A, the District's then-pending general rate proceeding, was also issued, approving the rates and charges recommended by Commission Staff in that case. The District was directed to file the

affidavit of publication for the revised Notice of Filing no later than November 30, 2005.

On November 16, 2005, the District filed its affidavit of publication, verifying publication of the revised Notice of Filing in the Wetzel Chronicle, a newspaper published and generally circulated in Wetzel County, West Virginia, on November 9, 2005. The 30-day protest period expired on December 9, 2005, with no protests having been filed either within that 30-day protest period or as the date of this Order.

DISCUSSION

In the Final Internal Memorandum attached to the Final Joint Staff Memorandum filed here on October 28, 2005, Utilities Analyst Scott McNeely and Sean P. Ireland, of the Water and Wastewater Division, and Technical Analyst David Holley, of the Engineering Division, discussed the engineering and financial aspects of the certificate application. According to Commission Staff, the water distribution system will serve approximately 224 customers, which is 80 percent of the potential 280 customers in the Chiselfinger Ridge, Crow's Run, Brush Run, Piney Fork, Boot Hill, Barker and Jacksonburg areas of Wetzel County, West Virginia. The District's existing system consists of approximately 25 miles of 12", 10", 8", 6", 4", and 2" water mains; one booster chlorination station; one booster pump station; two water storage tanks (388,000 gallons and 100,000 gallons); and approximately 27 fire hydrants, serving approximately 400 customers. The District purchases water from the City of New Martinsville. In a letter dated September 20, 2005, the City of New Martinsville has stated that it has the capacity to provide water to the additional customers to be served by this project.

The project will consist of five separate extensions, referred to as the Chiselfinger Ridge; Crow's Run; Piney Fork; Boot Hill; and Barker and the Town of Jacksonburg extensions. The project will be constructed under three contracts. The total project cost is \$3,560,000, with a total construction cost of \$2,905,465. However, Technical Staff noted that the estimated construction cost is more than a year old. Based on recent bid tabulations, Technical Staff believes that there is a high probability that the bids will come in significantly higher than the current estimate.

According to Commission Staff, overall annual operation and maintenance expenses are expected to increase by \$56,488 due to the project. The three biggest increases are for purchased water, operation labor, and main maintenance. Technical Staff reviewed the increases and found them to be reasonable, with the exception of the maintenance of main increase. According to Technical Staff, normally Staff does not allow for maintenance of mains since there is a warranty period. However, since the project is not causing a further increase in the District's rates, Staff declined to make any adjustments.

The District was issued a State of West Virginia Office of Environmental Health Service permit (No. 16,200) on August 24, 2004. The District currently employs one certified operator.

According to Technical Staff, the cost per customer, using the 280 potential customers that could be added by the project, is \$12,714, which Staff believes to be high. If the number of customers who have signed user agreements is used, 215, the cost per customer increases to \$16,558, which Technical Staff believes to be very high for a water project. However, when the \$2,780,000 in grants is subtracted from the project cost, the cost per customer equates to \$2,786 and \$3,628 respectively, which Staff considers to be acceptable. The number of customers per mile, using the number of potential customers, is approximately 13, which Staff believes to be reasonable. However, if only the number of customers who have signed user agreements is again used, the number of customers per mile is 10, which Technical Staff believes to be low. The cost per mile for this project is approximately \$162,000. The engineering fees represent 14 percent of the construction costs and 11 percent of the project costs, which Technical Staff believes to be slightly high, but acceptable.

According to Technical Staff, the proposed project will provide public water to residents who do not presently have good quality water or an adequate supply of potable water. Several of the individual wells in the area have been deemed to supply unsafe potable water due to the flooding in 2004. Some of the areas which will be served by this project have wells which have been affected by the construction of additional housing with septic systems. The underground water tables, from which the wells draw water, have tested positive for e-coli due to being contaminated by sewage from the septic systems. Also, many wells in the area have been affected by oil and gas drilling. Finally, the project will also provide fire protection for the homes in the project area. Engineering Staff determined that the project is necessary, because it will eliminate the quality and quantity problems with the wells presently used by the proposed customers; the project will provide additional fire protection; and the plans and specifications for the project are in general conformance with the Commission's rules and regulations. Technical Staff believes that the project is convenient since no additional rate increase is necessary and, therefore, the customers will not be financially burdened.

The financial review indicated that the District is proposing to finance the project with an RUS grant of \$1,480,000, an RUS loan of \$780,000 for 40 years, at an interest rate of 4.625%, and a Small Cities Block Grant of \$1,300,000. The annual debt service on the RUS loan will be \$42,834. The RUS loan requires the District to fund a debt reserve equal to 10% of the annual debt payment, or \$4,283. The District filed the appropriate RUS and SCBG commitment letters for the funding with its application. Staff also provided funding for a renewal and replacement reserve equal to 2.5% of operating revenues, which fund is to be used for replacements and repairs that occur throughout the system. The annual reserve contribution will be approximately \$8,598.

Staff noted that, in Case No. 05-0661-PWD-19A, Staff recommended a 29.5% across-the-board increase to the District's current rates and charges. Staff prepared a cash flow analysis for the District based on those rates. Based on Staff's review and analysis of the District's

operations, the rates recommended by Commission Staff in the 19A case will be sufficient to support the additional expenses generated by the project. The 215 additional customers who have already signed user agreements will produce an additional \$106,177 annually in revenue and \$1,678 in increased forfeited discounts, based on the District's average of 4,000 gallons used monthly per customer. Because of the rate increase granted in Case No. 05-0661-PWD-19A, the District does not need any additional rate increase in this case. The Staff rates should generate an annual cash surplus of approximately \$13,713 and a debt service coverage ratio of 129.33%. Staff made some adjustments in the Staff-recommended tariff to bring the language of different provisions into compliance with the Commission's Tariff Rules. Staff also calculated a leak adjustment rate of \$1.36 per thousand gallons. Accordingly, Financial Staff recommended that the proposed project and financing be approved.

In summary, Commission Staff recommended that the certificate be granted in the amount of \$3,560,000; that the project financing be approved; that, if there are any changes in the plans, scope, or financing for the project, the District notify the Commission and request a reopening of the certificate case for adjustments and approvals; that a copy of the bids be filed with the Commission and made a part of the file as soon as they are tabulated; and that the District notify the Commission when its engineer has performed the substantial completion of such.

Upon consideration of all of the above, the undersigned Administrative Law Judge is of the opinion that the public convenience and necessity require the project applied for herein; that the proposed financing is reasonable; and that both the project and the financing should be approved. The rates approved for the District in Case No. 05-0661-PWD-19A are sufficient to support the adjustments to expenses and increased debt service required by the project and, therefore, no additional rate increase is necessary. The project is necessary because of the lack of good quality potable water for the individuals who reside in the project areas. Many of the wells relied upon by the public in the areas to be served by this project have been deemed to supply unsafe potable water due to the flooding in 2004; due to the contamination of the underground water tables by sewage from the septic systems constructed in the areas; and because of contamination caused by oil and gas drilling in the area. The project is convenient because it will provide additional fire protection for homes in the project area and because no additional rate increase is necessary to support the project. The project is fully funded by committed financing.

FINDINGS OF FACT

1. On August 24, 2005, Wetzel County Public Service District No. 1 filed an application, duly verified, for a certificate of convenience and necessity to construct certain improvements to its water system in Wetzel County, including approximately 118,000 linear feet of various sized water lines; a new 100,000 gallon storage tank; one chemical feed station; and radio telemetry to serve approximately 224 out of 280

potential new customers in the communities of Jacksonburg, Barker, and other areas in the vicinity of U.S. Route 20 in Wetzel County. Service is not currently rendered to those locations by an existing utility, corporation or person. (See, Application filed August 24, 2005.)

2. The project is estimated to cost approximately \$3,560,000 and will be funded by a combination of Rural Utilities Service grant and loan funds and a Small Cities Block Grant. While the District initially requested an increase in its rates to fund the project, since a rate increase was granted in Case No. 05-0661-PWD-19A, a separate general rate application filed by the District, no additional rate increase is necessary to fund or support the project. (See, Application filed August 24, 2005; Final Joint Staff Memorandum and attachment filed October 28, 2005.)

3. The funding for the project has been fully committed and those commitment letters were filed with the application. (See, Application filed August 24, 2005; Final Joint Staff Memorandum and attachment filed October 28, 2005.)

4. The area to be served by the project does not currently have good quality or an adequate supply of potable water. The individuals in the area currently rely on individual wells. However, many of those wells have been deemed to supply unsafe potable water due to flooding in 2004. Further, wells in some of the areas to be served by this project have been affected by the construction of additional housing with septic systems. As a result, the underground water tables have tested positive for e-coli due to contamination caused by sewage from those septic systems. Further, many wells in the area have been contaminated by oil and gas drilling. The project will also provide fire protection for homes in the project areas. (See, Final Internal Memorandum attached to Final Joint Staff Memorandum filed October 28, 2005; application filed August 24, 2005.)

5. Commission's Staff review of the plan and specifications for the proposed project reveal no conflict with the Commission's various rules and regulations. Further, the District has been granted Permit No. 16,200, from the Office of Environmental Health Services, State of West Virginia, for the construction of the project which is the subject of this application. (See, Application filed August 24, 2005; Final Joint Staff Memorandum and attachment, filed October 28, 2005.)

6. The current estimated project costs are fully funded by the committed project funding. However, Commission Staff believes that there is a strong likelihood that, when bids are opened, the bids will all be in excess of the current estimate because of the age of the project. (See Final Internal Memorandum attached to Final Joint Staff Memorandum filed October 28, 2005.)

7. The District published the notice of the filing of its application herein in accordance with the Commission's requirements. (See, Affidavit of Publication filed November 16, 2005.)

8. No protests were filed in response to the publication of the notice of filing, either within the 30-day protest period or as of the date of this Order.

9. Commission Staff recommended that the certificate be granted; that the project funding be approved; that, if there are any changes in the plans, scope, or financing for the project, the District notify the Commission and request a reopening of this case for adjustments and approvals; that the District file a copy of the bids with the Commission as soon as they are tabulated; and that the District notify the Commission when its engineer has performed the substantial completion inspection. (See, Final Joint Staff Memorandum and attachment filed October 28, 2005.)

CONCLUSIONS OF LAW

1. The public convenience and necessity require the project for which an application has been filed herein. Therefore, it is reasonable to grant the application for a certificate of convenience and necessity filed by the Wetzel County Public Service District No. 1 on August 24, 2005, for the project described therein.

2. The funding proposed for this project, consisting of a loan from the USDA, Rural Utilities Service, in the amount of \$780,000, for a term of 40 years, at an interest rate of 4.625%; an RUS grant of \$1,480,000; and a Small Cities Block Grant of \$1,300,000, is reasonable and should be approved.

3. Since this project is unopposed and there is no dispute between the District and Commission Staff, no hearing is required in this matter.

ORDER

IT IS, THEREFORE, ORDERED that a certificate of convenience and necessity be, and hereby is, granted to Wetzel County Public Service District No. 1, for the project described in its application filed herein on August 24, 2005.

IT IS FURTHER ORDERED that the proposed funding for the project certificated herein, consisting of a loan from the USDA, Rural Utilities Service, in the amount of \$780,000, for a term of 40 years at an interest rate of 4.625%; an RUS grant in the amount of \$1,480,000; and a Small Cities Block Grant in the amount of \$1,300,000, be, and hereby is, approved.

IT IS FURTHER ORDERED that, if there is any change in the plans, scope, or financing for the project as certificated herein, the District notify the Public Service Commission and request a reopening of this proceeding, for adjustments and approval of any such changes.

IT IS FURTHER ORDERED that the District file with the Commission a copy of the bids for the proposed project, as soon as they are tabulated.

IT IS FURTHER ORDERED that the District file the certificate of substantial completion with the Public Service Commission immediately upon it being provided by the District's engineer.

IT IS FURTHER ORDERED that, if this project requires the use of Department of Highways' rights-of-way, the District comply with all rules and regulations of the Department of Highways in regard to the use of those rights-of-way.

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

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

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

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

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



Melissa K. Marland
Chief Administrative Law Judge

MKM:kkp
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RECEIVED
UTILITIES DIVISION
SPECIAL STUDIES SECTION

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P.S.C. W. Va. No. 5
Canceling P.S.C. W. Va. No. 4

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1, a public utility
OF
READER, WEST VIRGINIA
RATES, RULES AND REGULATIONS FOR FURNISHING
WATER

Public Service Commission
of W. VA. Tariff Office
DEC 19 2005
Special Studies Section

East of the City of New Martinsville, Wetzel County, West Virginia

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

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W. VA. PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Issued December 5, 2005 Effective for service rendered on and after December 17, 2005
or as otherwise provided herein

Issued by authority of an order of
the Public Service Commission of West Virginia
in Case No. 05-0661-PWD-19A final
November 17, 2005 or as otherwise provided herein

Issued by Wetzel County Public Service District No. 1, a public utility

By Forest L. Tennant
Chairman
Title

RULES AND REGULATIONS

- I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

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W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

APPLICABILITY

Applicable within the entire territory served

AVAILABILITY OF SERVICE

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

(C,I) RATES

First	3,000 gallons used per month	\$10.77 per 1,000 gallons
Next	3,000 gallons used per month	\$10.19 per 1,000 gallons
Next	4,000 gallons used per month	\$ 9.61 per 1,000 gallons
Next	10,000 gallons used per month	\$ 9.03 per 1,000 gallons
Over	20,000 gallons used per month	\$ 8.44 per 1,000 gallons

(C,I) MINIMUM CHARGE

No minimum bill will be rendered for less than \$32.33 per month which is equivalent of 3,000 gallons of water.

	5/8 inch meter	\$ 32.33 per month
	3/4 inch meter	\$ 48.50 per month
1	inch meter	\$ 80.83 per month
1	-1/2 inch meter	\$ 161.67 per month
2	inch meter	\$ 258.67 per month
3	inch meter	\$ 485.00 per month
4	inch meter	\$ 808.33 per month
6	inch meter	\$1,616.66 per month
8	inch meter	\$2,586.66 per month

(C,I) RESALE RATE

All water for resale to the City of Pine Grove will be billed in accordance with the approved rate of \$2.91 per 1,000 gallons used per month.

(C,I) DELAYED PAYMENT PENALTY

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

- (C) Indicates change in text
- (I) Indicates increase

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(C) RECONNECTION CHARGE

\$20.00

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

(C) TAP FEE

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

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

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

(C,I) LEAK ADJUSTMENT

\$1.82 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

(C,I) RETURNED CHECK CHARGE

A service charge equal to the actual fee assessed to the District or a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

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COMMISSION
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(C) Indicates change in text

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: October 28, 2005

FINAL

11-17-05

CASE NO. 05-0661-PWD-19A

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1,
a public utility, Wetzel County.
Rule 19A application to increase
water rates and charges.

RECOMMENDED DECISION

On May 10, 2005, the Wetzel County Public Service District No. 1 (District) filed a Rule 19A application requesting an increase in its water rates and charges.

On June 8, 2005, Staff Attorney C. Terry Owen filed an Initial Joint Staff Memorandum recommending that the case be referred to the Division of Administrative Law Judges for further disposition.

By Order dated June 22, 2005, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before January 5, 2006. Commission Staff was directed to file its report on or before August 18, 2005.

On August 22, 2005, Staff Attorney Owen filed a Final Staff Memorandum to which was attached the Staff Report prepared by Mr. Scott McNeely, Utilities Analyst II, Utilities Division, and Mr. James Weimer, Engineer I, Engineering Division. Staff's Report sets forth the results of the examination of the District's books, records and overall operations of the Wetzel County Public Service District No. 1 for the fiscal year ending June 30, 2004. The District currently serves approximately 400 water customers. All of the District's finished water is purchased from the City of New Martinsville. The District's most recent general rate case was Case No. 01-0656-PWD-19A, with an increase of 12.4%.

The District's personnel provide all billing and maintenance services for the system. Four hundred three (403) households/businesses were listed in June 2004 in the areas of State Route 7 and 20 outside of New Martinsville, Reader, Porter Falls and Pine Grove. In 2002, the District listed a total of 405 customers. Therefore, growth is not occurring in the area. The District has approximately 25 miles of distribution pipe of various sizes. The system was constructed in 1993. During its review, Technical Staff observed no deficiencies with the Commission's rules and only one minor issue will require monetary resources to correct. The District's system has two booster stations and

two storage tanks that serve the majority of their customers. The tanks are in generally good condition. Because of a large leak that developed during the current year, which took a considerable amount of time and effort to locate and repair, the reported unaccounted-for water for the past fiscal year was 19% of total purchased water according to the most recent annual report. This is a sharp increase compared to the unaccounted-for water reported during the last rate review of 4.1%. Meter calibration is done on an as-needed basis by the system at a minimal cost to address complaints. Individual household consumption is monitored closely and, if significant year-to-year or month-to-month differences are detected, the meters are checked for accuracy. The District has no construction equipment and sub-contracts all new extensions and tap installations to low-cost local contractors.

The District currently has no touch-read meters, but, as part of the planned project, the District will install nearly 300 touch-read meters for the new customers. Staff recommends that the District purchase new touch-read meters at a rate of 30 per year for its existing system until all meters are touch-read compatible. An investment of \$4,000 per year for that replacement activity would be included in the rate case.

The District spent approximately \$90,000 to install a line and a large resale master meter pit to furnish the Town of Pine Grove (Town) with water. However, it has had little use since the Town continues to operate and maintain its water treatment plant rather than abandon it as anticipated when the District installed the connecting line and meter pit. The line installation was also in preparation for future extension. The current purchased water revenue from the Town of Pine Grove is far short of supporting the debt for the \$50,000 portion of the 1998 project which installed the master meter. Staff suggests that the District discuss this issue with the Town of Pine Grove. Given the circumstances, the District may want to have a standby charge established to provide compensation for the availability of the master meter installation.

The District is planning to install a new transmission line through the Town of Pine Grove to access customers on the opposite end of the Town of Pine Grove. However, no Town of Pine Grove customers will be permitted to connect to this line despite multiple requests from the Town's customers who live with many water pressure and quality problems within the Town of Pine Grove's current system.

The District's current debt consists of a 1993 Water Development Authority (WDA) bond for 40 years at 7.75%, with an outstanding balance of \$143,496 and annual payments of \$12,691; a 1993 WDA bond for 40 years at 0%, with an outstanding balance of \$3,705 and annual payments of \$133; a 1998 Rural Utilities Service (RUS) loan for 40 years at 4.75%, with an \$867,830 principal and annual payments of \$51,984; and a 2003 Wesbanco loan for 5 years at 5%, with an outstanding principal of \$16,050 and annual payments of \$5,122. The WDA and RUS funding require a debt service reserve of 10% of annual debt payments and a depreciation reserve in the amount equal to 2.5% of operating revenues to be funded monthly. The funding requirements provide that the District must maintain a 115% debt service coverage until such time that the reserve is fully funded to an amount equal to one year's annual principal and interest payment. As

of June 30, 2004, the District's debt service reserve contained approximately \$13,267.31 and the depreciation reserve contained approximately \$13,218.64. Both of these funds require additional funding.

The District has finalized an amended contract with the City of New Martinsville Water and Sanitary Sewer Board for the purchase of water. This contract will increase the cost for the District from \$1.13 to \$1.25 per 1,000 gallons per month. The District sells a small amount of this water to the Town of Pine Grove. The Town only purchases water as a supplement when needed.

Staff recommended an across-the-board increase of 29.50% to the District's current rates and charges. The Staff-recommended rates will provide a minimum bill of \$32.32 for a 5/8" meter based on 3,000 gallons usage. The average bill based on 4,500 gallons will be \$47.61. Staff's cash flow analysis reveals a deficit of \$38,680 at going-level. Staff's recommended rates provide a cash surplus of \$12,515 and debt service ratio of 135.47%.

By Order entered on September 28, 2005, the District was ordered to give notice to its customers of the Staff-recommended increased water rates and charges by publishing Tariff Form No. 10, once a week for two (2) consecutive weeks in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Wetzel County. The District also was to provide properly completed Tariff Form Nos. 6-A and 6-B.

On October 19, 2005, the Applicant submitted a proper affidavit of publication reflecting that publication had been made in accordance with the Commission's requirements in the Wetzel Chronicle, with the latest publication being October 12, 2005. The District did not submit Tariff Form Nos. 6-A or 6-B.

By Order dated October 20, 2005, the District was directed to file with the Commission Tariff Form Nos. 6-A and 6-B, on or before November 7, 2005.

On October 24, 2005, the District filed properly completed Tariff Form Nos. 6-A and 6-B.

On October 28, 2005, Commission Staff filed a Final Joint Staff Memorandum in Case No. 05-1239-PWD-CN, recommending that the certificate be granted and including in the recommended tariff a \$100.00 preconstruction tap fee for use by the District, which will be incorporated in the rates approved herein.

No protest was filed to the application within the ten-day protest period, or as of the date of this Order.

FINDINGS OF FACT

1. The Wetzel County Public Service District No. 1 filed a Rule 19-A application requesting an increase in its water rates and charges. (See, Application filed May 10, 2005).

2. At its current rates, the District is experiencing an annual cash flow deficit of \$38,680, with an inadequate debt service coverage of 60.38%, which violates the District's bond covenant. The Staff-recommended rates will generate an annual cash flow surplus of \$12,515, with a debt service coverage of 135.47%, which complies with the District's bond covenant. (See, Staff Report filed August 22, 2005).

3. Staff recommended an across-the-board increase of 29.50% to the District's current rates and charges. Since Staff allocated funding to be used for targeted specific tasks, Staff requested that the District file quarterly reports indicating the progress in implementing the noted activities. The reports should indicate both physical and monetary efforts expended on the task. (See, Staff Report filed August 22, 2005).

4. The District was required to give notice to its customers of the Staff-recommended rates and charges by publishing a copy of Tariff Form 10, once a week for two (2) consecutive weeks in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Wetzel County. The District was also required to comply with the requirements of Tariff Rules 8.2.f. and 8.2.i. and present proof of such compliance by the filing of Tariff Form Nos. 6-A and 6-B. (See, Order dated September 28, 2005).

5. The District filed a proper affidavit reflecting that publication had been made in accordance with the Commission's requirements in the Wetzel Chronicle with the latest date of publication being October 12, 2005. (See, Affidavit of publication filed October 19, 2005; case file generally).

6. The District filed properly completed Tariff Form Nos. 6-A and 6-B. (See, Forms filed October 24, 2005).

7. No protests were received to the application within the ten-day protest period, or as of the date of Order. (See, case file generally).

CONCLUSIONS OF LAW

1. Due to Staff's allocation of funding to specific tasks to be undertaken by the District, it is reasonable to require the District to file quarterly reports indicating the progress in implementing the recommended activities. These reports should indicate both physical and monetary efforts expended on the tasks.

2. Since the District has given proper notice to its customers of the Staff-recommended rates, in accordance with the Commission's requirements and no protests were filed within the ten-day protest period, and since the Staff-recommended rates are sufficient, but not more than sufficient, to cover the District's operation and maintenance expenses, capital additions and debt service requirements, the Staff-recommended rates can be approved, without need for a hearing.

ORDER

IT IS, THEREFORE, ORDERED that the Staff-recommended rates and charges, attached hereto as Appendix A, be, and the same hereby are, approved for use by the Wetzel County Public Service District No. 1, for all service provided by the District on and after the date that this Order becomes final.

IT IS FURTHER ORDERED that Wetzel County Public Service District No. 1 file an original and at least five (5) copies of a revised tariff setting forth the approved rates and charges approved herein within thirty (30) days of the date that this Order becomes a final order of the Commission.

IT IS FURTHER ORDERED that Wetzel County Public Service District No. 1 file with the Commission quarterly reports indicating the progress it has made in implementing the Staff-recommended activities for which funding has been provided, as detailed in the Staff Report filed on August 22, 2005, the report should indicate both physical and monetary efforts expended on the tasks. The first report shall be filed on or before January 17, 2006.

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

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

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

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



Robert W. Glass
Administrative Law Judge

RWG:dfs/pst
050661ab.wpd

TAP FEE

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

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

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

LEAK ADJUSTMENT

\$1.82 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

RETURNED CHECK CHARGE

A service charge equal to the actual fee assessed to the District or a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
CASE NO. 05-0661-PWD-19A

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

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

RATES

First	3,000 gallons used per month	\$10.77 per 1,000 gallons
Next	3,000 gallons used per month	\$10.19 per 1,000 gallons
Next	4,000 gallons used per month	\$ 9.61 per 1,000 gallons
Next	10,000 gallons used per month	\$ 9.03 per 1,000 gallons
Over	20,000 gallons used per month	\$ 8.44 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than \$32.33 per month which is equivalent of 3,000 gallons of water.

5/8-inch meter	\$ 32.33 per month
3/4-inch meter	\$ 48.50 per month
1-inch meter	\$ 80.83 per month
1-1/2-inch meter	\$ 161.67 per month
2-inch meter	\$ 258.67 per month
3-inch meter	\$ 485.00 per month
4-inch meter	\$ 808.33 per month
6-inch meter	\$1,616.66 per month
8-inch meter	\$2,586.66 per month

RESALE RATE

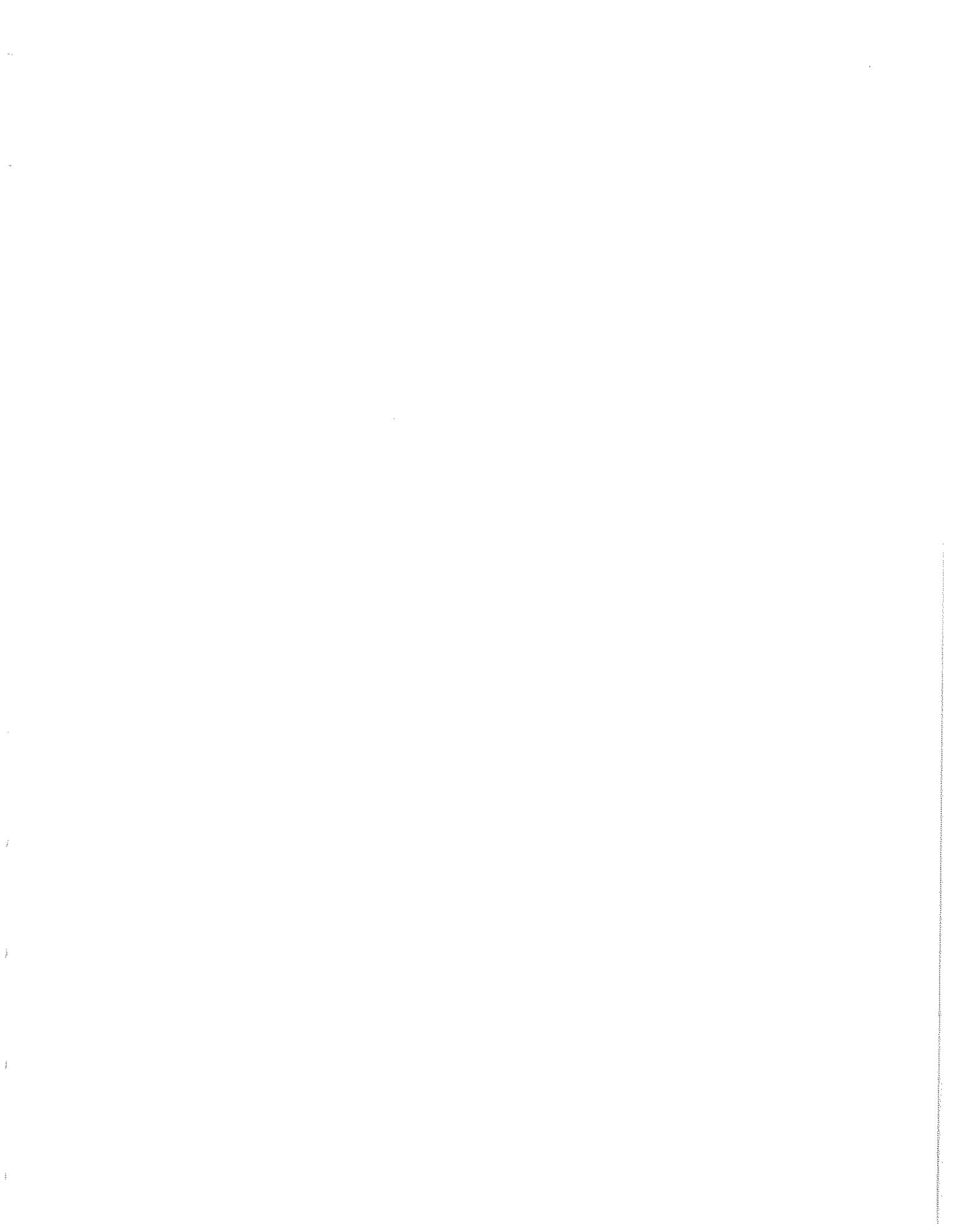
All water for resale to the City of Pine Grove will be billed in accordance with the approved rate of \$2.91 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

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

RECONNECTION CHARGE - \$20.00

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



LOAN RESOLUTION
(Public Bodies)

COPY

A RESOLUTION OF THE Board
OF Wetzel County Public Service District No. 1
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS
Water Extension Project
FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Wetzel County Public Service District No. 1
(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

NINE HUNDRED TWENTY-FIVE THOUSAND AND XX / 100 DOLLARS (\$925,000.00)

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

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

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

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ ~~1,200,000.00~~ 1,654,000

under the terms offered by the Government: that Chairman

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

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

Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the Board of the

Wetzel County Public Service District No. 1 has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 23rd day of June, 2006

Wetzel County Public Service District No. 1

(SEAL)

By Forrest S. Tennant
Forrest Tennant

Title Chairman

Attest:

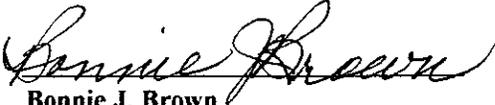
Bonnie J. Brown
Bonnie J. Brown

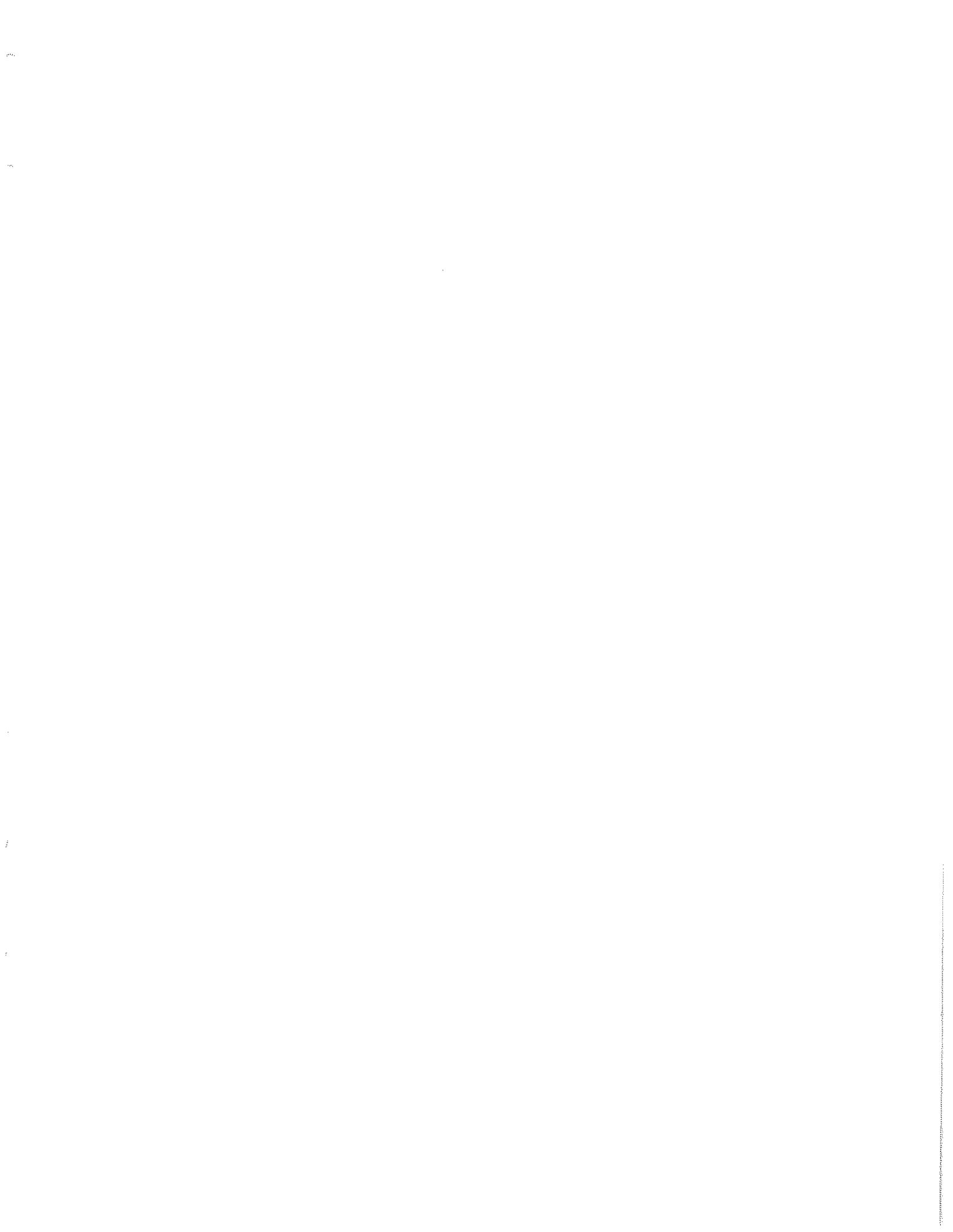
Title Secretary

CERTIFICATION TO BE EXECUTED AT LOAN

I, the undersigned, as Secretary of the Wetzel County Public Service District No. 1
 hereby certify that the Board 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 23rd day of June, 2006; and that the foregoing resolution was adopted at such meeting
 by the vote shown above, I further certify that as of June 27, 2006,
 the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
 rescinded or amended in any way.

Dated, this 27th day of June, 2006


Bonnie J. Brown
 Title Secretary



Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

RECEIPT FOR BOND

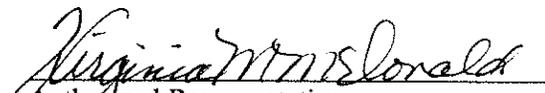
The undersigned, authorized representative of the United States Department of Agriculture, Rural Utilities Service, for and on behalf of the United States of America (the "Purchaser"), hereby certifies as follows:

1. On the 27th day of June, 2006, at Reader, Wetzel County, West Virginia, the undersigned received for the Purchaser the single, fully registered Wetzel County Public Service District Number One Water Revenue Bond, Series 2006 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$925,000 (the "Bonds"), dated the date hereof, bearing interest at the rate of 4.375% per annum, payable in monthly installments as stated in the Bonds. The Bonds represent the entire above-captioned Bond issue.

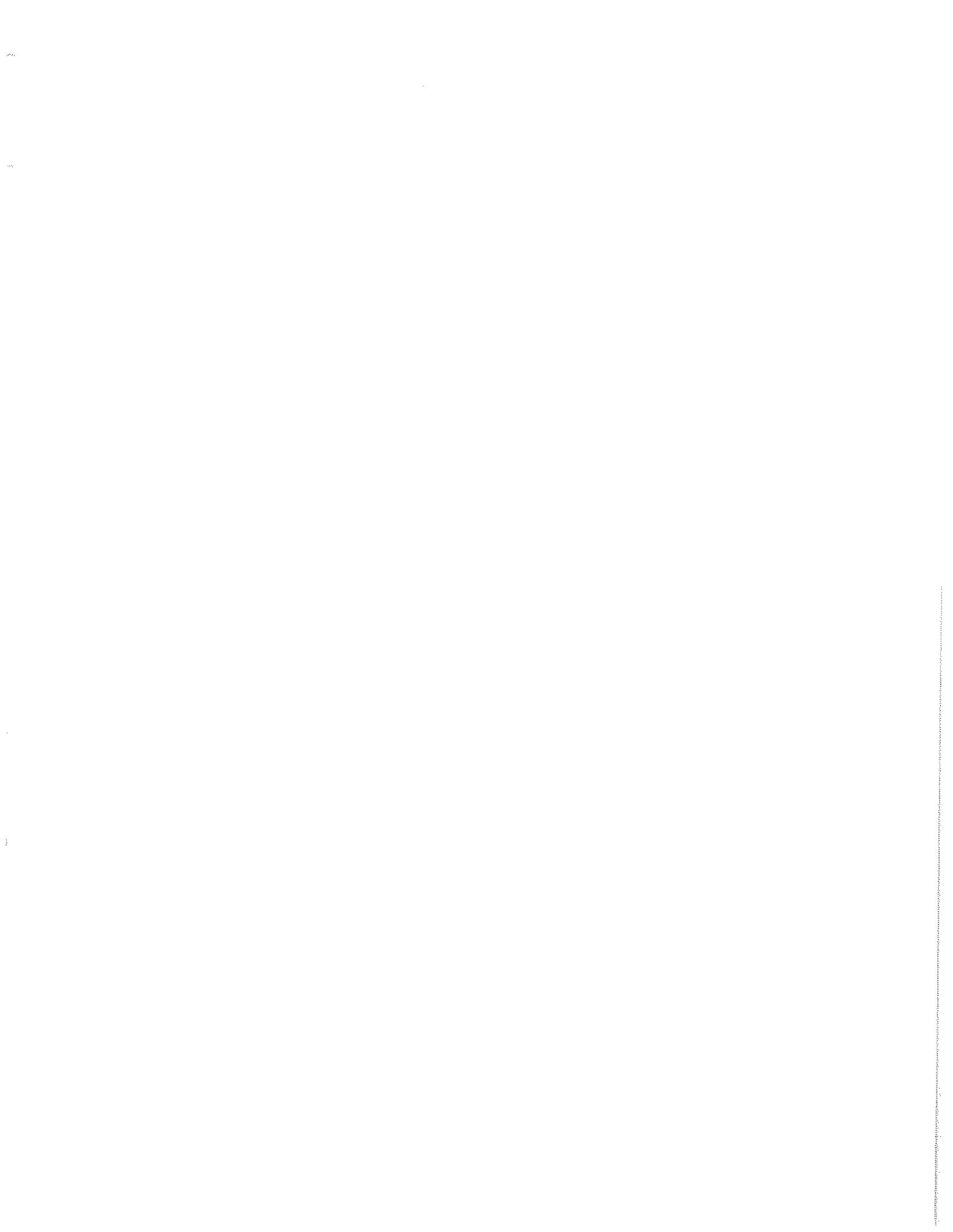
2. At the time of such receipt, the Bonds had been executed and sealed by the designated officials of the Public Service Board of Wetzel County Public Service District Number One (the "Issuer").

3. At the time of such receipt, there was paid to the Issuer the sum of \$69,300.00, being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

WITNESS my signature on this 27th day of June, 2006.


Authorized Representative

6/20/06
963040.00001





SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE
WATER REVENUE BONDS, SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$925,000

No. AR-1

Date: June 27, 2006

FOR VALUE RECEIVED, on this the 27th day of June, 2006, WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of NINE HUNDRED TWENTY FIVE THOUSAND AND 00/100 DOLLARS (\$925,000), plus interest on the unpaid principal balance at the rate of 4.375% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$4,172, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

SPECIMEN

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

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

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

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

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

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

SPECIMEN

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted June 23, 2006, authorizing issuance of this Bond (the "Resolution").

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

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

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

1) WATER REVENUE BONDS, SERIES 1998 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED SEPTEMBER 22, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$912,000; AND

2) WATER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED JUNE 28, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$154,839;

THIS BOND IS ISSUED SENIOR AND PRIOR AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BONDS, SERIES 1993 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED JUNE 28, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$5,161.

SPECIMEN

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

[Remainder of Page Intentionally Left Blank]

SPECIMEN

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

WETZEL COUNTY PUBLIC SERVICE
DISTRICT NUMBER ONE

[CORPORATE SEAL]

Forrest Ennast

Chairman, Public Service Board
Wetzel County Public Service District Number One
P.O. Box 456
Reader, West Virginia 26167-0456

ATTEST:

Bonnie Brown

Secretary, Public Service Board

SPECIMEN

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$ 69,300.00	June 27, 2006	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	
TOTAL		\$	

SPECIMEN

ASSIGNMENT

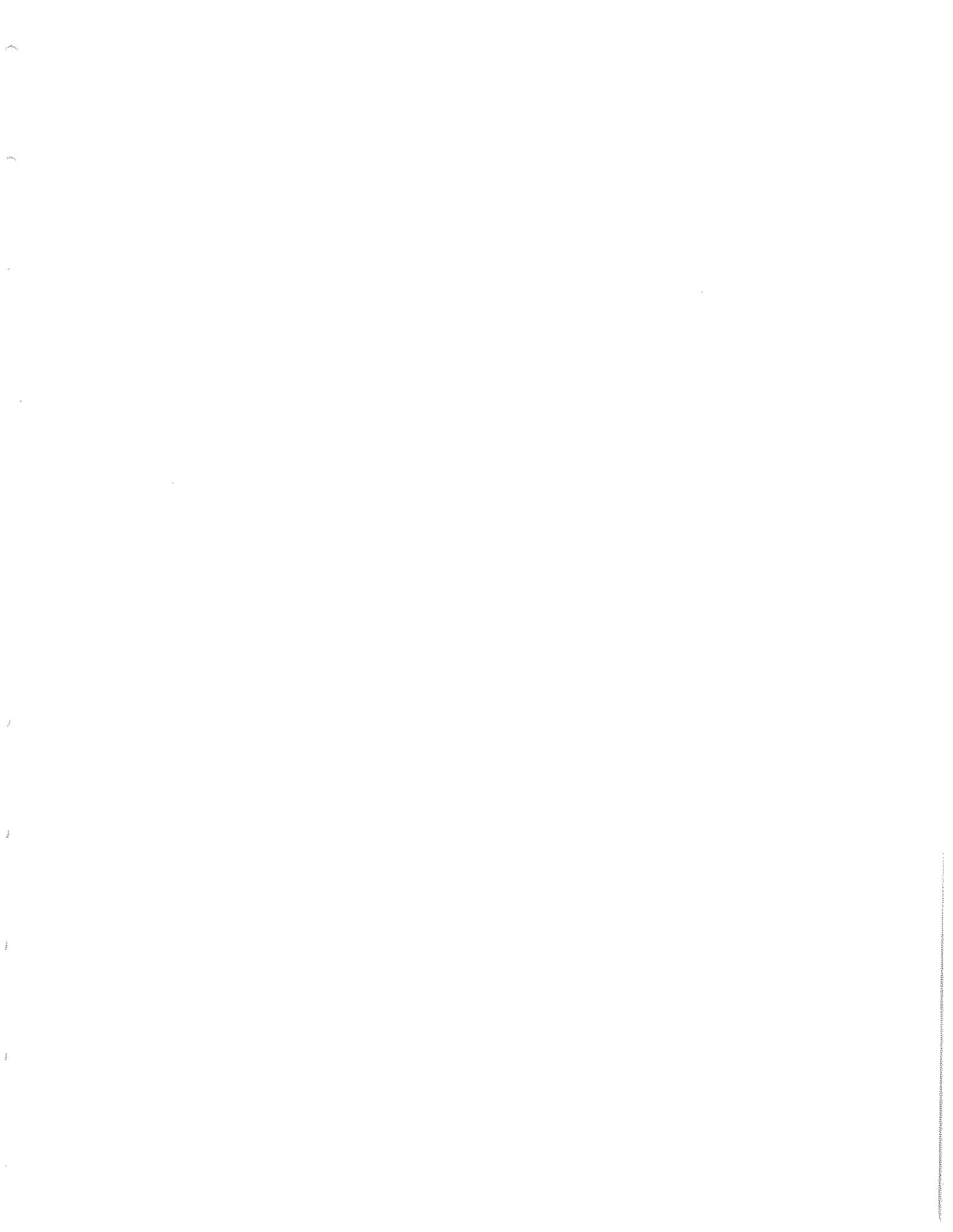
FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

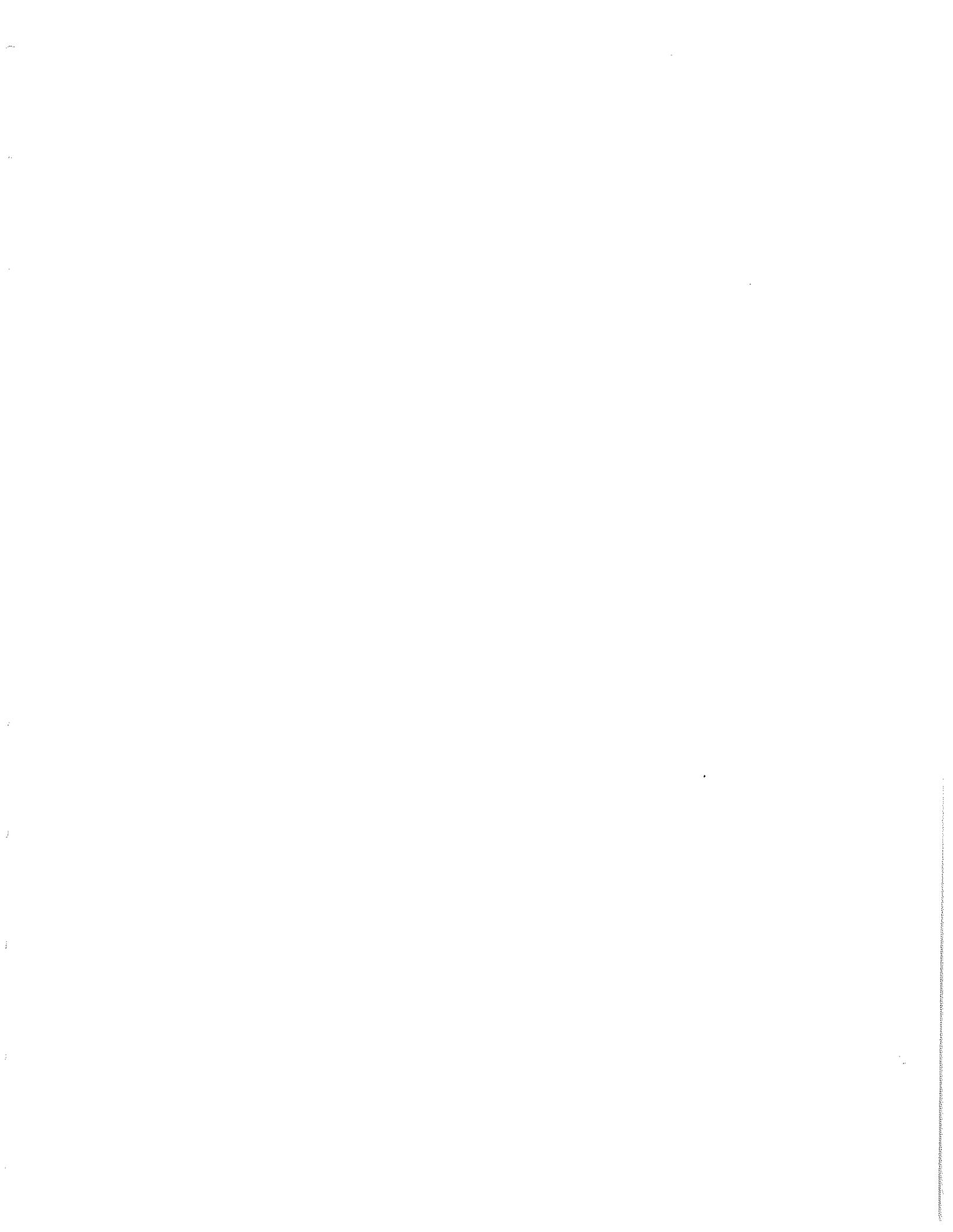
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books kept
for registration of the within Bond of the said Issuer with full power of substitution in the
premises.

Dated: _____, _____.

In the presence of:

06/20/06
963040.00001





June 27, 2006

Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

Wetzel County Public Service District Number One
Reader, West Virginia

United States Department of Agriculture
Parkersburg, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Wetzel County Public Service District Number One in Reader, Wetzel County, West Virginia (the "Issuer"), of its \$925,000 Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted June 23, 2006 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

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

3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds on a parity with respect to liens, pledge and source of and security for payment with the Issuer's (i) Water Revenue Bonds, Series 1998 A (United States Department of Agriculture), dated September 22, 1998, issued in the original aggregate principal amount of \$912,000, and (ii) Water Revenue Bonds, Series 1993 A (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$154,839, and senior and prior with respect to liens, pledge and source of and security for payment to the Issuer's Water Revenue Bonds, Series 1993 B (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$5,161 (collectively, the "Prior Bonds"). Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2006 A Bonds as to liens, pledge and/or source of and security for payment.

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

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

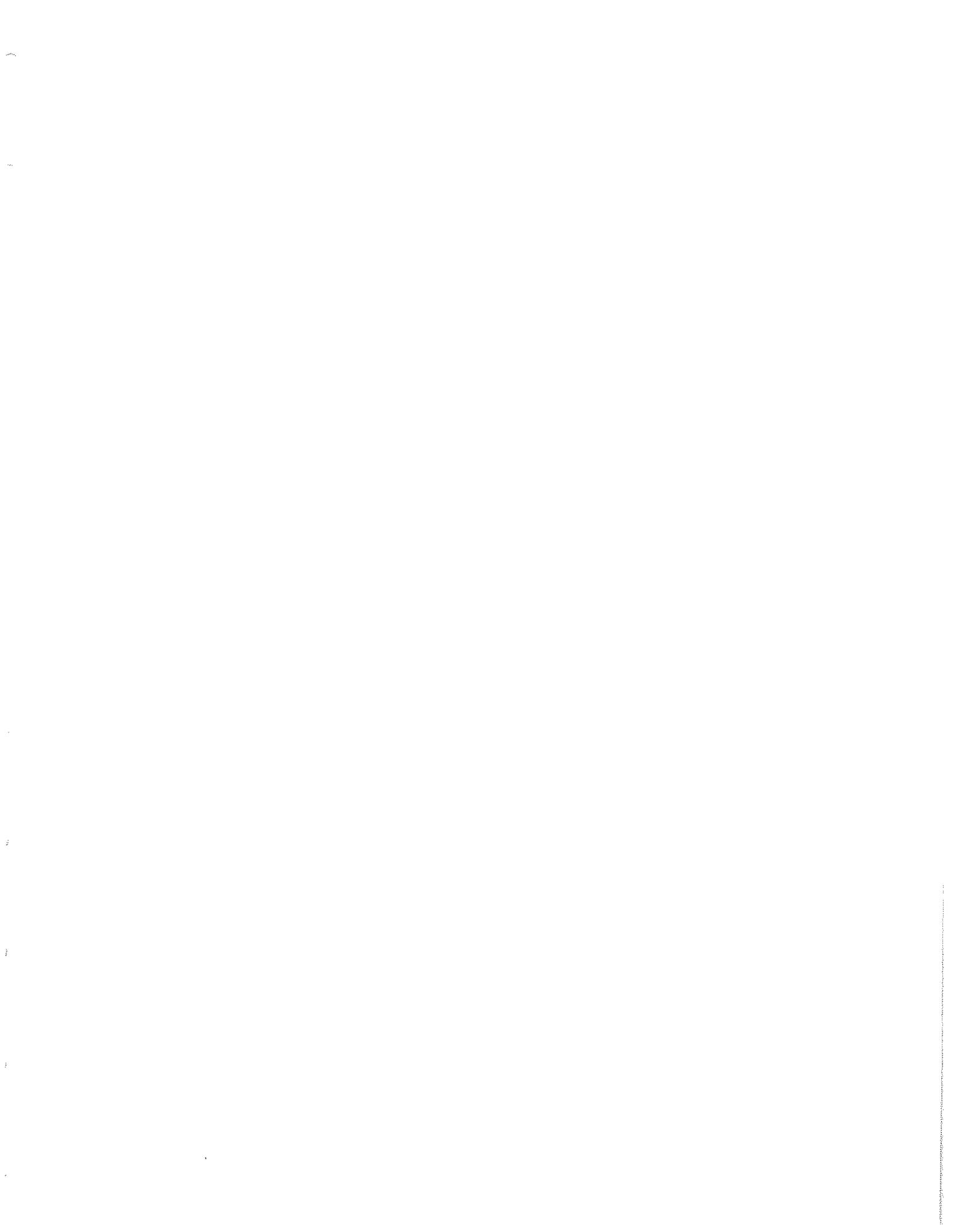
6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Bonds is exempt from personal income taxes and corporate net income taxes imposed directly thereon by the State of West Virginia.

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

Very truly yours,



STEPTOE & JOHNSON PLLC



LEMON & LEMON
W. D. LEMON
ATTORNEY AT LAW
NEW MARTINSVILLE, WV 26155
(304) 455-5983

June 27, 2006

Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

Wetzel County Public Service District Number One
Reader, West Virginia

United States Department of Agriculture
Parkersburg, West Virginia

Steptoe & Johnson PLLC
Clarksburg, West Virginia

Ladies and Gentlemen:

We are counsel to Wetzel County Public Service District Number One, a public service district in Reader, Wetzel County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted June 23, 2006 (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Wetzel County relating to the creation of the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

We are of the opinion that:

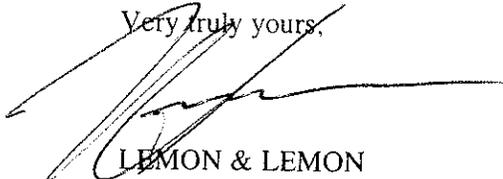
1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.
2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
3. The Resolution has been duly adopted by the Issuer and is in full force and effect.
4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, to the best of my knowledge, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party

or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

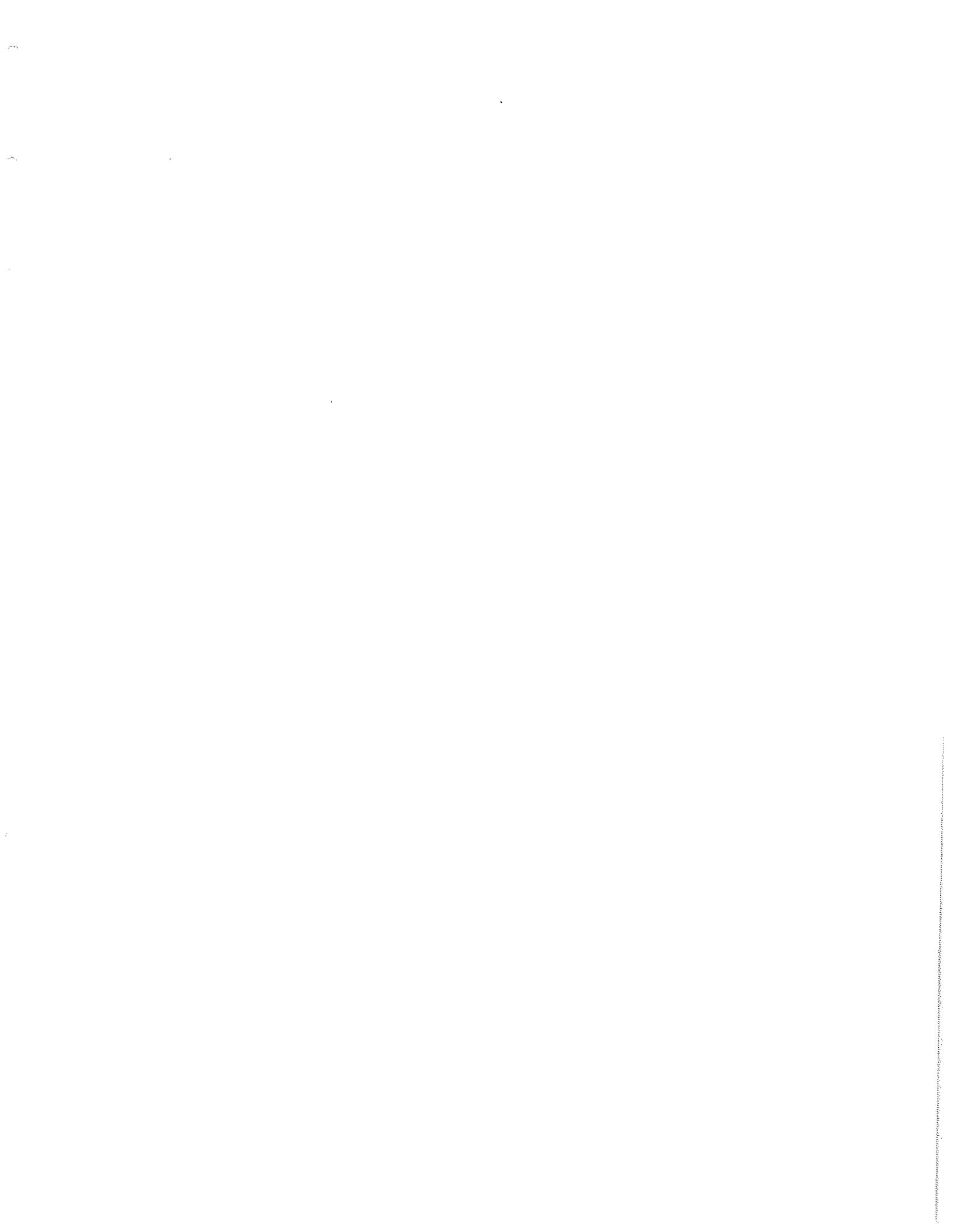
5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from The County Commission of Wetzel County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges.

6. To the best of my knowledge, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds or the Resolution, the acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Very truly yours,



LEMON & LEMON



Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Wetzel County Public Service District Number One in Wetzel County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify in connection with the Wetzel County Public Service District Number One Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$925,000 and bearing interest at the rate of 4.375% per annum (the "Bonds" or the "Series 2006 A Bonds"), as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Bonds has been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions of the Purchaser, dated December 17, 2002, and the Amended Letter of Conditions dated March 3, 2005, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted June 23, 2006, authorizing issuance of the Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Bonds are being issued on this date to finance a portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

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

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

The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on January 1, 2006, in Case No. 05-1239-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The Issuer has received the Commission Order entered on June 9, 2006, in Case No. 05-1239-PWD-CN, approving a revised Project scope and funding amounts for the Project. The Issuer has also received the Final Order of the Public Service Commission entered on November 17, 2005, in Case No. 05-0661-PWD-19A approving the rates and charges of the system. The time for appeal of such Final Orders has expired prior to the date hereof.

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

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2006 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Water Revenue Bonds, Series 1998 A (United States Department of Agriculture), dated September 22, 1998, issued in the original aggregate principal amount of \$912,000, and (ii) Water Revenue Bonds, Series 1993 A (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$154,839. There are also outstanding obligations of the Issuer which will rank junior and subordinate to the Series 2006 A Bonds, being the Issuer's Water Revenue Bonds, Series 1993 B (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$5,161. The Series 1998 A Bonds, the Series 1993 A Bonds, and the Series 1993 B Bonds may be hereinafter referred to as the "Prior Bonds". Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2006 A Bonds as to liens, pledge and/or source of and security for payment.

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

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

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

Series 2006 A Bond Resolution

Series 1993 A and 1993 B Bond Resolution

Series 1998 A Bond Resolution

Consent of West Virginia Water Development Authority
to Issuance of Parity Bonds

Consent of United States Department of Agriculture
to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

Specimen Bond

County Commission Orders Regarding Creation of the District

County Commission Orders of Appointment of Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication for Notice of Public Hearing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

United States Department of Agriculture Letter of Conditions and Closing
Instructions

United States Department of Agriculture Grant Agreement

Evidence of Small Cities Block Grant

Water Purchase Contract with City of New Martinsville

Water Sale Contract with Town of Pine Grove

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Wetzel County Public Service District Number One" and its principal office and place of business are in Wetzel County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Donald Sweeney	January 1, 2006	January 1, 2012
Bonnie J. Brown	January 1, 2005	January 1, 2011
Forrest L. Tennant	January 1, 2003	January 1, 2009

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of the Issuer for the calendar year 2006 are as follows:

Chairman	-	Forrest Tennant
Secretary	-	Bonnie J. Brown
Treasurer	-	Donald Sweeney

The duly appointed and acting General Manager for the Issuer is Keith Nelson. The duly appointed and acting Counsel for the Issuer is Lemon & Lemon, New Martinsville, West Virginia.

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

At the time of delivery of the Bonds, the amount of \$ 69,292.56 was received by the undersigned Chairman, being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.375% per annum is payable from the date of each such advance.

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

9. **LAND AND RIGHTS-OF-WAY:** All land in fee simple and all rights-of-way and easements necessary for the acquisition, construction, operation and maintenance of the Project and the System have been acquired or can and will be acquired by purchase, or if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such

purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.:

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

11. CONTRACTORS' INSURANCE, ETC.:

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

12. CONNECTIONS, ETC.:

The Issuer will serve at least 610 bona fide full-time users upon the System on completion, in full compliance with the requirements and conditions of the Purchaser.

13. MANAGEMENT:

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

14. GRANTS:

As of the date hereof, the grant from the United States Department of Agriculture in the amount of \$1,654,000, and the Small Cities Block Grant in the amount of \$1,300,000 are committed and in full force and effect.

15. CONFLICT OF INTEREST:

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

16. PROCUREMENT OF ENGINEERING SERVICES:

The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia

Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

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

[Remainder of Page Intentionally Left Blank]

WITNESS our signatures and the official seal of WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE on this 27th day of June 2006.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

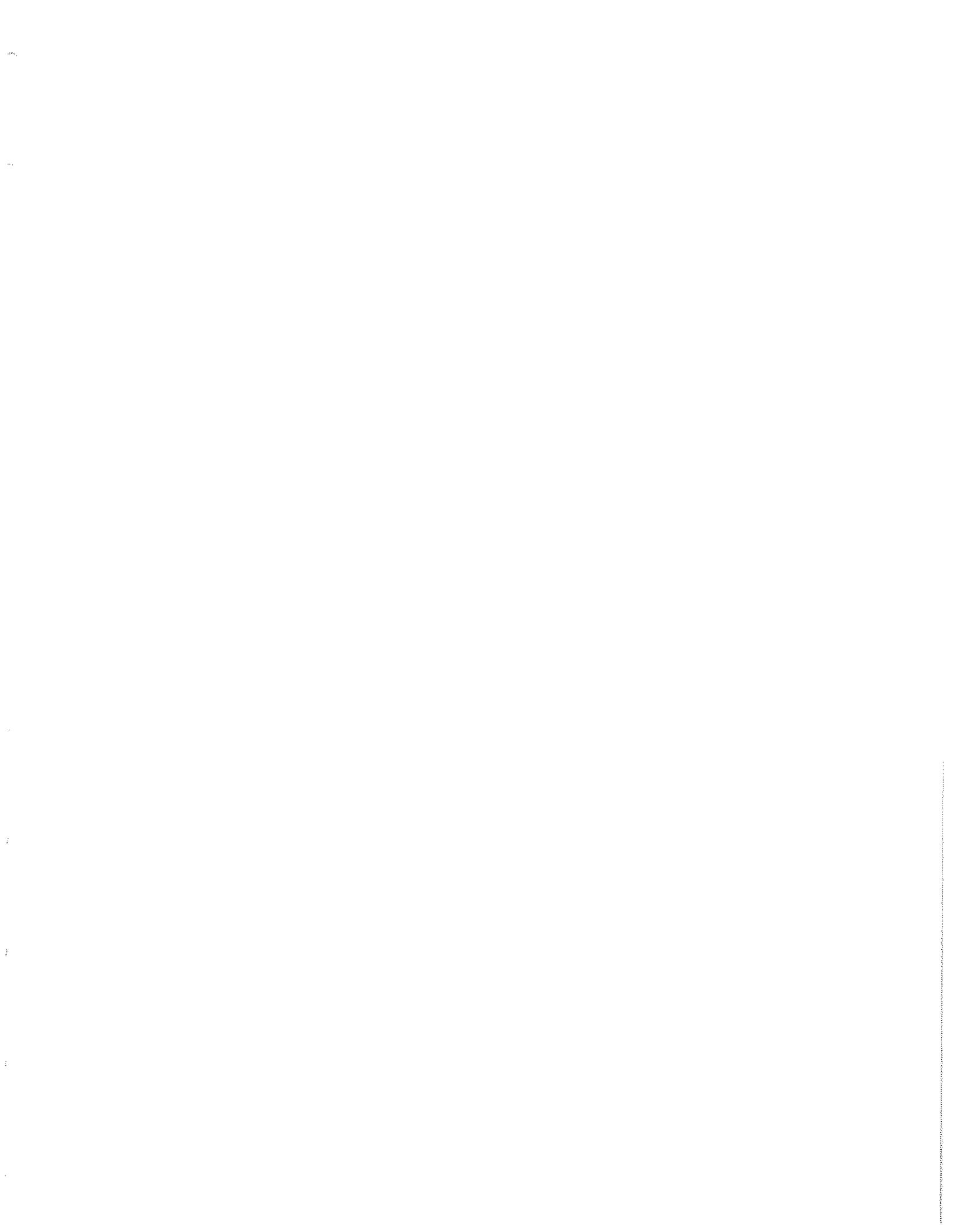
Forest L. Tennant

Chairman

Darwin J. Brown

Secretary

Attorney for Issuer





700 Kevin Drive, Suite B
New Martinsville, WV 26155

Phone: (304)455-1915
Fax: (304)455-5299
Email: bakerandbaker@charter.net

Willie Baker, CPA, A. C.

June 23, 2006

Wetzel County Public Service District #1
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

West Virginia Water Development Authority
Charleston, WV

Wetzel County Public Service District #1
P. O. Box 456
Reader, WV 26167-0456

United States Department of Agriculture
Parkersburg, WV

Ladies and Gentlemen:

Based upon the rates set forth in the Final Order of the Public Service Commission of West Virginia, dated November 17, 2005, in Case No. 05-0661-PWD-19A, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by Hornor Brothers Engineers, consulting engineers, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of Wetzel County Public Service District #1 (the "Issuer"), will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Water Revenue Bonds, Series 2006A (United States Department of Agriculture) (the "Bonds"), and the Issuer's outstanding (i) Water Revenue Bonds Series 1993A (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$154,839, (ii) Water Revenue Bonds, Series 1993B (West Virginia Water Development Authority), dated June 28, 1993, issued in the original aggregate principal amount of \$5,161, and (iii) Water Revenue Bonds Series 1998A (United States Department of Agriculture), dated September 22, 1998, issued in the original aggregate principal amount of \$912,000 (collectively, the "Prior Bonds").

It is further my opinion that (i) the Net Revenues to be received for the Fiscal Year following the year in which the Bonds are issued will be at least 120% of the average annual debt service requirements on the Bonds and Prior Bonds and that (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of actual issuance of the Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal and interest on the Bonds and the Prior Bonds currently outstanding.

Very truly yours,

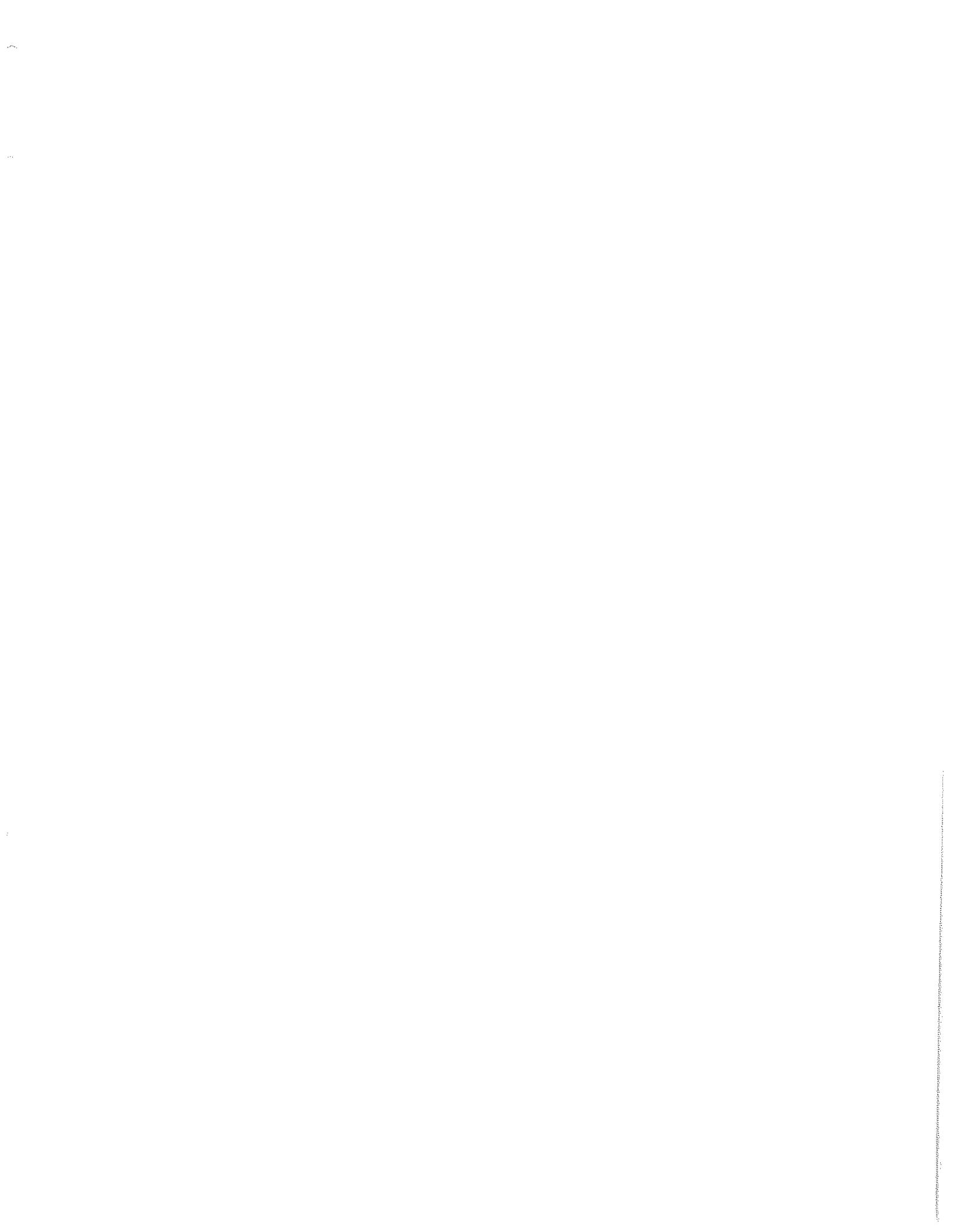
Willie Baker
Certified Public Accountant

● Page 2

May 31, 2006

WB

Cc: Wetzel County Public Service District #1
Honor Brothers Engineering



Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

I, Paul A. Hornor III, Registered Professional Engineer, West Virginia License No. 10,281, of Hornor Brother Engineers, Clarksburg, West Virginia, hereby certify that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing waterworks system (the "System") of Wetzel County Public Service District Number One (the "Issuer"), to be acquired and constructed in Wetzel County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

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

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

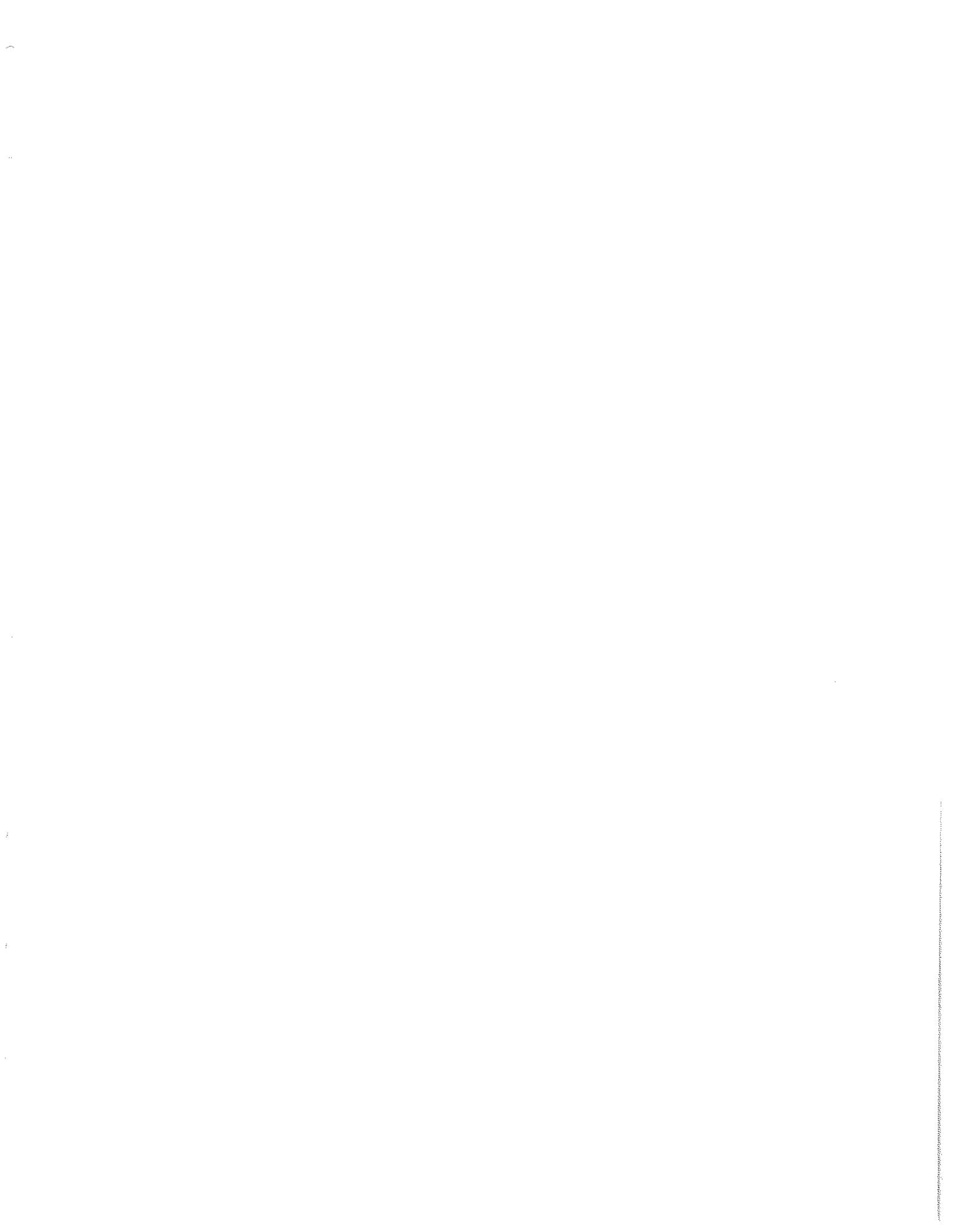
WITNESS my signature on this 27th day of June, 2006.

HORNOR BROTHERS ENGINEERS



Paul A. Hornor, III, P.E.
West Virginia License No. 10,281

6/01/06
963040.00001



WETZEL COUNTY COMMISSION
APRIL TERM

JULY 12, 1977

Wetzel County Commission met pursuant to adjournment of July 5, 1977.

Present: Shirley H. Wayne, President, Glen W. Riggerbach and Anthony Estep, Commissioners.

oo0oo

IN RE: PUBLIC SERVICE DISTRICT--IN AND AROUND COMMUNITY OF READER

N O T I C E

Notice is hereby given that a petition has been filed before the County of Wetzel, State of West Virginia, for the purpose of proposing the creation of a public service district in and around the community of Reader, Wetzel County, West Virginia, more particularly as follows:

1. The unincorporated town of Reader proper;
2. Northwest on State Route 20, encompassing an area 300 feet on either side of the center line of the highway from Reader proper to the foot of Long Point Hill;
3. Southeast on State Route 20, from Reader proper to the area served by the Pine Grove water system, encompassing an area 300 feet on either side of the center line of the highway;
4. Up Money Run Road No. 42 to the foot of Money Hill;
5. Up Reader Run Road and McKimmie Ridge Road to the junction of a straight line between the foot of Money Hill and the mouth of Trough Run.
6. Three-hundred feet on either side of Eight Mile Ridge Road No. 46 to the junction of No. 46 and 28-1 and 44 at the Wetzel-Tyler County line;
7. The area between route 20 and the following boundaries:
 - a. A straight line extending from the Milburn Cemetery on Eight-Mile Ridge Road N. 46 to the junction of Crow's Run Road 54-1 and Piney Ridge Road No. 54;
 - b. From there, a straight line to the forks of Piney Creek;
 - c. From there, a straight line from the forks of Piney Creek to the northernmost corner of the Lewis Wetzel Public Hunting Area;
 - d. And from there, a straight line to the mouth of Shenango Run.

A hearing will be held before the Wetzel County Commissioners on the 3rd day of August, 1977, at the Reader Fire Hall, Reader, West Virginia, at which time and place all persons interested may appear and be heard.

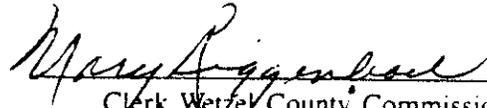
s/ Shirley H. Wayne
Shirley H. Wayne, President
Wetzel County Commission

oo0oo

WEST VIRGINIA, WETZEL COUNTY

I, MARY RIGGENBACH, Clerk of the County Commission do hereby certify that the foregoing writing is a true and correct copy as appears of record in my office County Commissioners Order Book No. 28 at Page No. 47, of said records.

Given under my hand and Seal of said Office this 17th day of May, 19 93.


Clerk Wetzel County Commission

WETZEL COUNTY COMMISSION
APRIL TERM

AUGUST 2, 1977

Wetzel County Commission met pursuant to adjournment of July 26, 1977.

Present: Shirley H. Wayne, President, Glen W. Riggerbach and Anthony Estep, Commissioners.

oo0oo

5

IN RE: PUBLIC SERVICE DISTRICT

The County Commission published notice to amend the previous petition filed for the purpose of proposing the creation of **public** service district. Notice is to be published August 4, 1977 and is as follows:

N O T I C E

Notice is hereby given that the Wetzel County Commission is considering amending a petition which has been filed before the Commission of Wetzel County, State of West Virginia, for the purpose of proposing the creation of a public service district, the amended district includes Green and Grant Districts, Wetzel County, West Virginia, excluding Pine Grove and the area served by the Clarksburg Shortline Water District.

A hearing will be held before the Wetzel County Commissioners on the 16th day of August, 1977 at 2:30 P. M. at the Court House, New Martinsville, West Virginia, at which time and place all persons interested may appear and be heard.

s/ Shirley H. Wayne
Shirley H. Wayne, President
Wetzel County Commission

oo0oo

WEST VIRGINIA. WETZEL COUNTY

I. MARY RIGGENBACH, Clerk of the County Commission do hereby certify that the foregoing writing is a true and correct copy as appears of record in my office County Commissioners Order Book No. 28 at Page No. 57 of said records.

Given under my hand and Seal of said Office this 17th day of May 19 93.

Mary Rigenbach
Clerk Wetzel County Commission

WETZEL COUNTY COMMISSION
JULY TERM

AUGUST 3, 1977

Wetzel County Commission met pursuant to adjournment of August 2, 1977.

Present: Shirley H. Wayne, President, Glen W. Riggerbach and Anthony Estep, Commissioners.

oo0oo

IN RE: PUBLIC SERVICE DISTRICT

The County Commission met with residents of the Reader area concerning the proposed Public Service District. The Commission deferred issuing an order creating the Public Service District until after August 16, 1977. At this time a hearing on a proposed amendment to the original petition will be considered. The amendment would extend the district from the Reader area to include Green and Grant Districts, but excluding Pine Grove and the area serviced by the Clarksburg-Shortline Water District.

The County Commission agreed to fund a feasibility study for the proposed area with J. H. Milan, Inc., Consulting Engineers conducting the study. The cost to be approximately \$3,000. and to be paid from Revenue Sharing Funds.

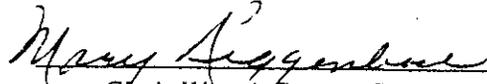
The Commission appointed Gordie Beck, Carl Staley and Gus Bates from Reader--Kenneth Potts, Monroe Martin, Paul Morgan and Lawrence Fluharty from Jacksonburg to work with the engineering firm during the feasibility study.

oo0oo

WEST VIRGINIA. WETZEL COUNTY

I, MARY RIGGENBACH, Clerk of the County Commission do hereby certify that the foregoing writing is a true and correct copy as appears of record in my office County Commissioners Order Book No. 28 at Page No. 58 of said records.

Given under my hand and Seal of said Office this 17th day of May 19 93


Clerk Wetzel County Commission

JULY TERM

AUGUST 16, 1977

Wetzel County Commission met pursuant to adjournment of August 9, 1977.

Present: Shirley H. Wayne, President, Glen W. Riggerbach and Anthony Estep, Commissioners.

oo0oo

IN RE: WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

The Wetzel County Commission will enter an order on August 19, 1977 creating Wetzel County Public Service District Number One. The district boundaries will include Green and Grant Districts, but excluding the Town of Pine Grove and the area served by the Clarksburg-Shortl. Water District.

oo0oo

WEST VIRGINIA. WETZEL COUNTY

I, MARY RIGGENBACH, Clerk of the County Commission do hereby certify that the foregoing writing is a true and correct copy as appears of record in my office County Commissioners Order Book No. 28 at Page No. 65 of said records.

Given under my hand and Seal of said Office this 17th day of May 19 93.


Clerk Wetzel County Commission

WETZEL COUNTY COMMISSION
JULY TERM

AUGUST 19, 1977

Wetzel County Commission met pursuant to adjournment of August 16, 1977.

Present: Shirley H. Wayne, President, Glen W. Riggenbach and Anthony Estep, Commissioners.

oo0oo

IN RE: Wetzel County Public Service
District Number One

O R D E R

Pursuant to the West Virginia Code, section 2, Article 13A, Chapter 16, and after hearings held before the Wetzel County Commission on the 3rd day of August, 1977 and the 16th day of August, 1977, there being no objection thereto, it is ordered that the creation of a Public Service District known as the Wetzel County Public Service District Number One be created which will include all of the area within Green and Grant Districts, Wetzel County, West Virginia, excluding Pine Grove and the area serviced by the Clarksburg Shortline Water District, said Green and Grant surveyed boundaries are recorded in the Wetzel County Clerk's Office in Deed Book Number 4, at pages 278 and 279.

Given under my hand this 19th day of August, 1977.

WETZEL COUNTY COMMISSION

By Stephen A. Wilson
(Its President)

ARTICLE I - GENERAL PROVISIONS

SECTION 1.00 - Statement of Intent

The intent of this order to:

- A. promote the general health, welfare, and safety of the county
- B. provide the preservation of public health, comfort and convenience of such Green and Grant Districts, excluding Pine Grove and the area served by the Clarksburg Shortline Water District

Section 1.02 - County Liability

The grant of a permit, the establishment of rates, disbursement of funds, the acquisition of property, shall not constitute a representation, guarantee, or warranty of any kind by the county or by any official or employee thereof of the practicability or safety of the proposed use, and shall create no liability upon the county its official or employees.

ARTICLE II - POWERS

Section 2.00 - Public service districts have the following powers as provided in Article 13-a, Chapter 16, of the Code of West Virginia:

- A. To acquire, own, and hold property, both real and personal, in its corporate name.
- B. To sue.
- C. To adopt an official seal.
- D. To enter into contracts necessary or incidental to achieving the purpose(s) of the public service district including:
 - (1) Contracts with any city, incorporated town, or other municipal corporation in the district to furnish wholesale supply of water for the distribution system of such city, incorporated town, or municipal corporation.
 - (2) Contract for the operation, maintenance, servicing, repairs, and extension of any facilities owned by the district.

contracts for the operation, improvement, or extension of all or any part of the existing municipally owned facilities of any city, incorporated town, or municipal corporation. Such contracts are not to extend beyond a 40-year period but may include provisions for renewal or successive renewals. In addition, such contracts cannot conflict with the rights of the holders of outstanding bonds issued by the city, incorporated town, or municipal corporation.

- E. To acquire any publicly or privately owned water or sewer facilities located within the boundaries of the public service district. In addition, the public service board of a district has the power to acquire all rights and franchises and any and all property within or outside the public service district that are necessary or incidental to achieving the purpose(s) of the district.
- F. To construct any water or sewer facilities within or outside the public service district that are necessary or incidental to achieving the purpose(s) of the district.
- G. To acquire, construct, maintain, and operate water and sewer facilities within the corporate limits of any city, incorporated town, or other municipal corporation within the district or outside the district in any unincorporated area within 10 miles of the district.

However, if a city, incorporated town, or other municipal corporation owns and operates water or sewer facilities, the district cannot acquire, construct, establish, improve, or extend the same facilities within the municipal entity or its adjacent service area without the consent of the municipality. Similarly, if a district has constructed, acquired, or established water or sewer facilities or services within any city, incorporated town, or other municipal corporation, the municipal entity cannot construct, acquire, or establish facilities of the same kind without the consent of the district.

It should also be noted that a district cannot construct or extend facilities that would compete with existing waterworks.

- H. To exercise the right of "eminent domain" for the purpose of acquiring water or sewer facility properties or lands and right or easements deemed necessary or incidental to achieving

the purposes of the district. However, in the exercise of its right of eminent domain, a district cannot acquire any "substantial" part of a privately owned waterworks system unless and until the Public Service Commission of West Virginia has granted authorization.

- I. To make, enact, and enforce rules and regulations related to the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection, and use of water or sewer facilities owned or controlled by the public service district.
- J. To establish rates and charges for the facilities and services furnished by the district. The rates and charges established by the district must be sufficient to pay the costs of operation, maintenance, property or facility depreciation, and the principal and interest on bonds issued or other obligations incurred by the district.

It should be noted that a public service district does not have the power to levy or collect ad valorem taxes.

- K. To require connection to sewer facilities if the district provides sewer service.
- L. To establish and adopt a budget for operation, maintenance, capital outlay, and debt service.
- M. To disburse district funds after an order has been signed by the chairman and the secretary of the public service board of the district. The chairman or secretary may authorize a person to sign the orders in his behalf.
- N. To issue revenue bonds for acquiring or constructing water or sewer facilities, constructing improvements or extensions to existing water or sewer systems, and paying the costs and expenses of creating the district.

At or before the time of the issuance of revenue bonds, the district must, by resolution, provide for the creation of a sinking fund to pay for the interest on the bonds and for retirement of the bonds.

In addition, the district must obtain the "consent and approval" of the West Virginia Public Service Commission prior to the

issuance of the revenue bonds.

- O. To accept loans or grants for the purpose of paying all or part of the cost of constructing or acquiring water or sewer systems, or both. However, prior consent and approval must be obtained from the West Virginia Public Service Commission.

Section 2.02 - OTHER POWERS

The Wetzel County Public Service District Number One may exercise any and all other powers granted to a Public Service District by the West Virginia Code.

Section 2.03 - LIMITATIONS

The said Public Service District Number One may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission as set forth in this article, or conflicts with any provisions of this article or the West Virginia Code.

ARTICLE III - DEFINITIONS

Section 3.00 - General

Unless specifically defined below, words and phrases used in this order shall be interpreted as defined by Chapter 16 of the West Virginia Code.

Section 3.01 - Specific Definitions

- A. District - Wetzel County Public Service District Number One.
B. Person - Any person, persons, partnership, business or corporation.

ARTICLE IV - EFFECTIVE DATE

This Order shall become effective on the 19th day of August, 1977, and shall remain in force until modified, amended, or rescinded by the County Commission of Wetzel County, West Virginia.

Adopted by the Wetzel County Commission this 19th day of August, 1977.

WETZEL COUNTY COMMISSION

Stacy A. Wagoner
President

Glen W. Riggens

Anthony Estep

Attest:

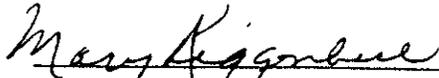
Paul Davis
(Clerk)

WEST VIRGINIA. WETZEL COUNTY

I, MARY RIGGENBACH, Clerk of the County Commission do hereby certify that the foregoing writing is a true and correct copy as appears of record in my office County Commissioners Order Book No. 28 at Page No. 67 of said records.

Given under my hand and Seal of said Office this 17th day of May

19 93


Clerk Wetzel County Commission



WETZEL COUNTY COMMISSION
OCTOBER TERM

December 23, 2002

County Commission met pursuant to adjournment of December 17, 2002.

Present: Barbara A. King, President, Donald E. Mason, Vice-President and
Robert L. Gorby, Commissioner.

oo0oo

IN RE: WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. ONE--RE-APPOINTMENT OF
FORREST L. TENNANT

Barbara L. King moved that the Wetzel County Commission, upon the recommendation of the District, approve the re-appointment of Forrest L. Tennant to the Wetzel County Public Service District No. One. Seconded by Donald E. Mason. Vote was unanimous. Term of office effective January 1, 2003 and will expire on December 31, 2008.

oo0oo

Donald L. Mason moved that the Commission adjourn to meet January 7, 2003. Seconded by Barbara A. King. Vote was unanimous.

Copy, Teste: Carol S. Haught, Clerk
Wetzel County Commission

WETZEL COUNTY COMMISSION
OCTOBER TERM

December 14, 2004

County Commission met pursuant to adjournment of December 7, 2004.

Present: Donald E. Mason, President, Robert L. Gorby, Vice-President and
Barbara A. King, Commissioner.

oo0oo

IN RE: APPOINTMENT OF BONNIE J. BROWN--WETZEL COUNTY PUBLIC SERVICE DISTRICT #1

Robert L. Gorby moved that the Wetzel County Commission approve the re-appointment of Bonnie J. Brown to the Wetzel County Public Service District #1 Board, effective January 1, 2005 through January 1, 2011. Seconded by Barbara A. King. Vote was unanimous.

oo0oo

Barbara A. King moved that the Wetzel County Commission adjourn to meet Tuesday, December 21, 2004. Seconded by Robert L. Gorby. Vote was unanimous.

Copy, Teste: Carol D. Houghton, Clerk
Wetzel County Commission

WETZEL COUNTY COMMISSION
JANUARY TERM

January 10, 2006

County Commission met pursuant to adjournment of January 3, 2006.

Present: Robert L. Gorby, President, Barbara A. King, Vice-President and
Donald E. Mason, Commissioner.

oo0oo

IN RE: WETZEL COUNTY PUBLIC SERVICE DISTRICT #1--RE-APPOINTMENT OF DONALD SWEENEY

Barbara A. King moved that the Wetzel County Commission approve the re-appointment of Donald Sweeney to the Wetzel County Public Service District #1 Board, with a term of office effective January 1, 2006 through January 1, 2012. Seconded by Donald E. Mason. Vote was unanimous.

oo0oo

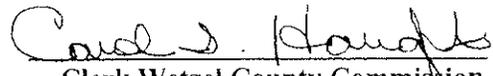
Donald E. Mason moved that the Wetzel County Commission adjourn to meet Wednesday, January 18, 2006. Seconded by Barbara A. King. Vote was unanimous.

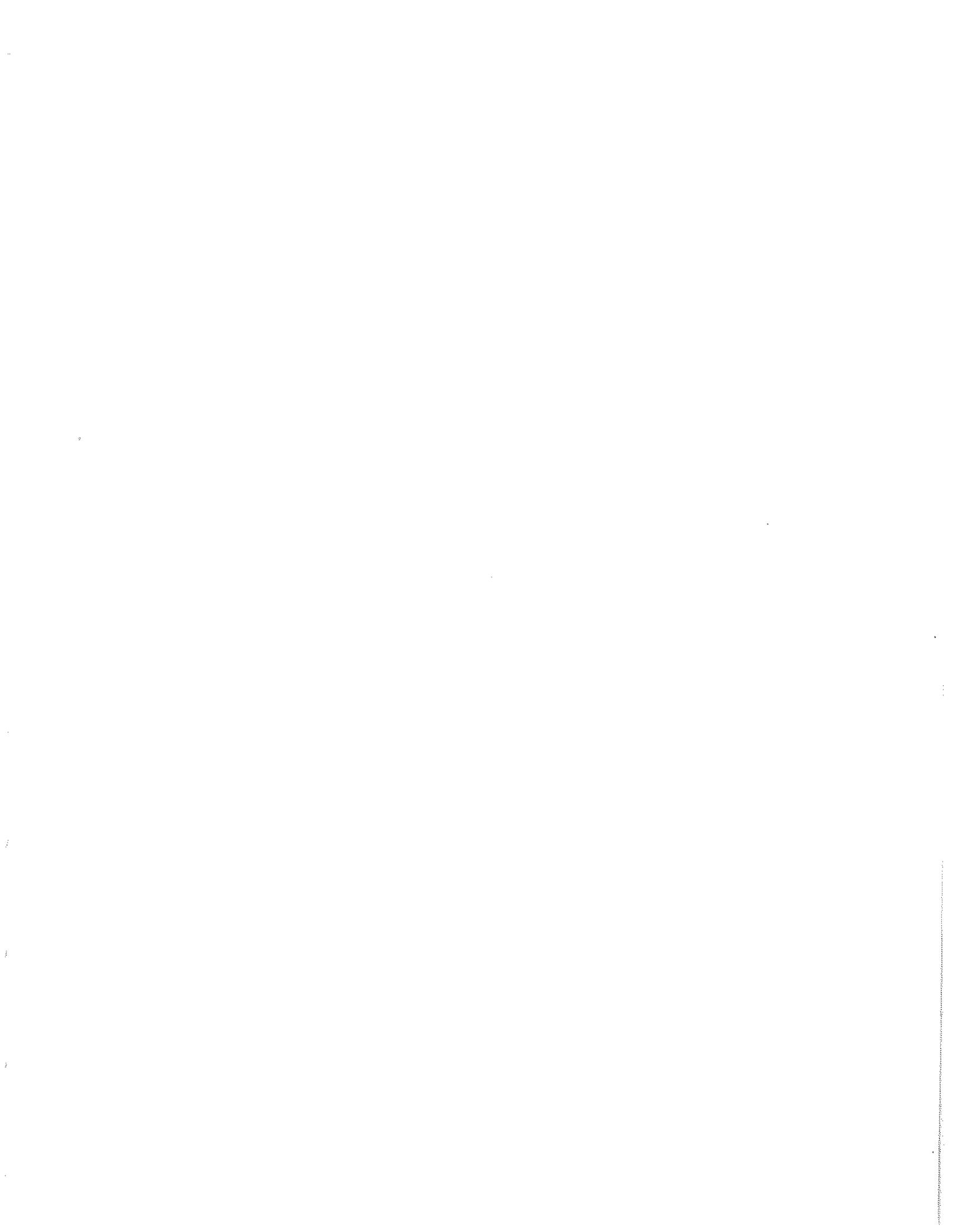
Copy, Teste: Candace Houghton, Clerk
Wetzel County Commission

WEST VIRGINIA, WETZEL COUNTY

I, CAROL S. HAUGHT, Clerk of the County Commission do hereby certify that the foregoing is a
true and correct copy of the original paper ^{filed} ~~presented~~ into this office.

Given under my hand and Seal of said Office this 20th day of January,
2006.


Clerk Wetzel County Commission



Term of Office - January 1, 2003 - December 31, 2008

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF WETZEL, TO-WIT

I do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and that I will faithfully discharge the duties of the office of:

BOARD MEMBER OF PUBLIC SERVICE DISTRICT NO. 1

to the best of my skill and judgement So Help Me God.

(Signature of affiant)

Forest P. Tennant

Subscribed and sworn to before me, in my said County and State, this

26th day of December, 2002.

Carol D. Hanft, Clerk

of the County Commission, Wetzel County,

West Virginia.

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF WETZEL, TO-WIT

I do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and that I will faithfully discharge the duties of the office of:

Board Member of the Wetzel County Public Service District #1

to the best of my skill and judgement So Help Me God.

(Signature of affiant)


Bonnie J. Brown

Subscribed and sworn to before me, in my said County and State, this

9th day of Feb., 2005.

Candis Haught, Clerk
of the County Commission, Wetzel County,
West Virginia.

Term effective January 1, 2006 - January 1, 2012

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF WETZEL, TO-WIT

I do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and that I will faithfully discharge the duties of the office of:

Board Member of the Wetzel County Public Service District #1

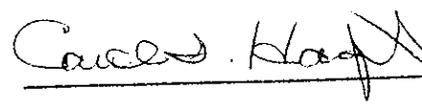
to the best of my skill and judgement So Help Me God.

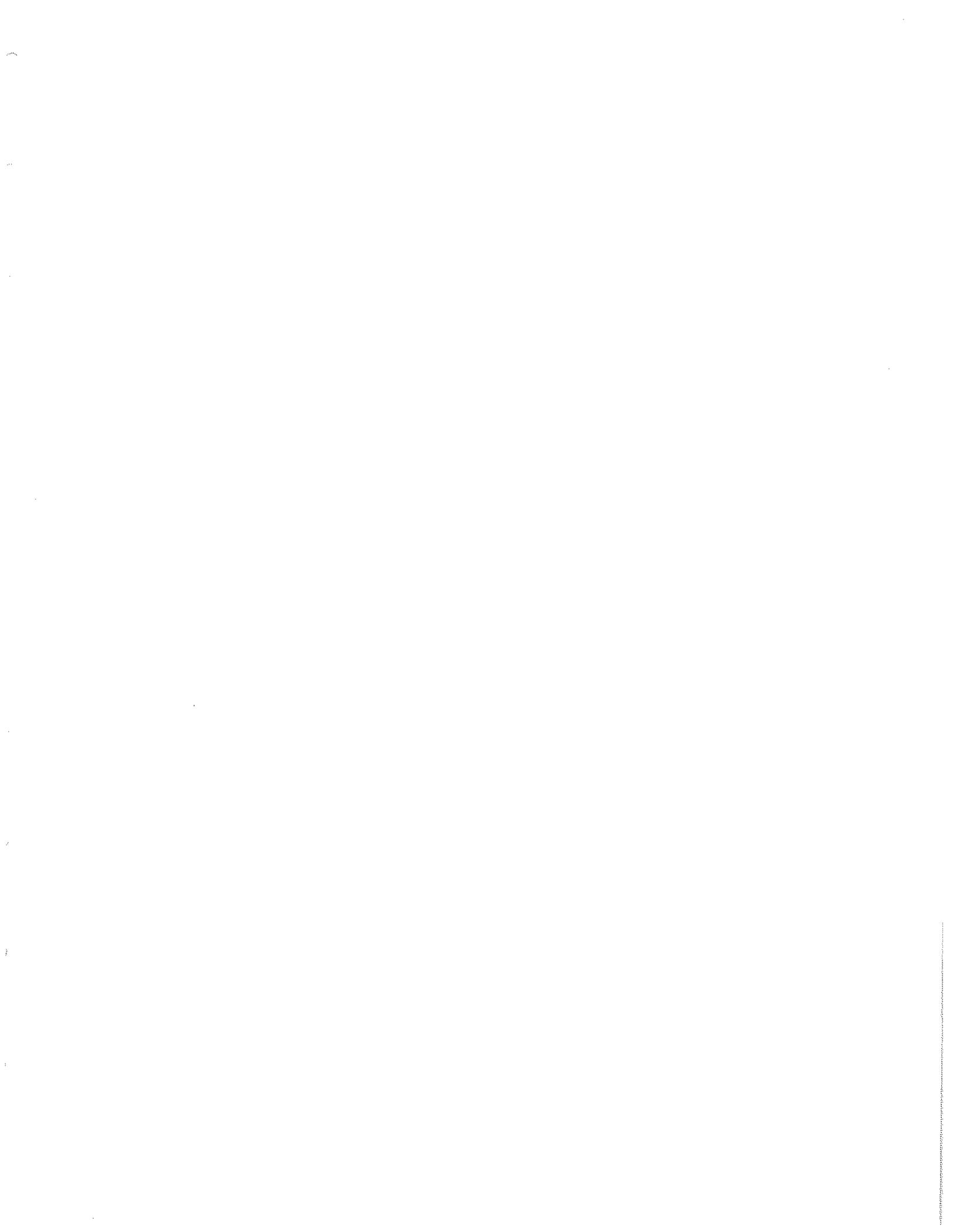
(Signature of affiant)


Donald Sweeney

Subscribed and sworn to before me, in my said County and State, this

13th day of JAN., 2006.


_____, Clerk
of the County Commission, Wetzel County,
West Virginia.



RULES OF PROCEDURE

WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE.

Section 2. The principal office of this Public Service District will be located at Route 20 Box 456 Reader, Wetzel County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Wetzel County Public Service District Number One, and in the center "seal" as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Wetzel County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the 1st Monday of each month, at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Wetzel County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Wetzel County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a special scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve

until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected as hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 6th day of March, 2005.

By: Forrest L. Tennant
Forrest Tennant, Chairman

By: Donald R. Sweeney
Donald Sweeney, Treasurer

By: Bonnie Brown
Bonnie Brown, Secretary



Wetzel County Public Service District No. 1
January 3, 2005
Monthly Board Meeting Minutes

Meeting called to order by Forrest Tennant, Chairman. Those present were Don Sweeney, Treasurer and Keith Nelsen, Manager. Bonnie Brown was absent.

The first item to be taken up was election of officers as required each New Year. Forrest made a motion to keep all positions as they are currently. Bonnie seconded the motion and passed by 3 yes and 0 nay count. Officers shall be Forrest Tennant, Chairman, Bonnie Brown, Secretary and Donald Sweeney, Treasurer.

The budget was discussed and showed that the District was running a bit behind in cash flow as far as having enough inflow to match expenses. It was discussed to watch expenses and try to manage the payment of monthly bills during the next month. A transfer from the Utility account to Operating account to pay monthly bills in the amount of \$14,737.00 was approved. A motion to pay bills was made, seconded and passed. The Treasurer's report was accepted by majority vote.

Keith reports there were no disconnects during the previous month.

Old business for the month of December included report from Keith about the Phase III project including discussion on Honor Brothers Engineering. Sign ups for the new project were increased by two. Northern panhandle Head Start and Sarah Wise were signed and paid. Additionally Kimberly Price, Timothy Bassett made final payments to their accounts. Irvin Cunningham has contacted Keith and indicated they will pay their tap fee around the first of February. Don is still working on Right-of-ways in the Jacksonburg area. Keith has gotten a couple more elsewhere. Keith will be working on the others as he has the time.

Rick and Loma Lloyd have a new tap. There were complications getting the line installed under Rt. 20. This increased the cost for this tap.

Keith reported that the furnace in the shop was not working and Bucky Rine repaired it at a cost of \$20. This was paid from petty cash.

CSX Railroad has sent the contracts for the four (4) crossings needed for Phase III. It was moved and passed by majority vote after discussion to proceed with this stage of the project. CSX will require two (2) million dollars liability insurance and must be named on our policy as an insured for the duration of the project. It will cost \$4,750 per crossing. Don moved that the funds be appropriated and sent to CSX. Seconded by Forrest. Forrest and Don signed the needed paperwork and Keith will forward it to Scott Hicks for review and will request the \$19,000 from Small Cities Block Funding. CSX requires contracts back to them by 2/28/2005.

Wesbanco has asked that new signature cards and copies of driver's license be executed. This is due to the flooding problem the bank had at it's location in Pine Grove. This was approved and Don and Forrest have signed the cards. Bonnie will still need to sign.

COPY

Kevin Lowe has become a customer of the water system after his well stopped working. Kevin was recently noted in a prior meeting for collection through the Magistrate office. Keith discussed this and indicated it should work out without issue from now on.

Bonnie Brown has been appointed by the Wetzel County Commission to serve a new term on the Board. Her new term will run from 1/1/2005 through 1/1/2011. Bonnie has accepted and taken her oath at the County Clerks office. A copy of the commissions order is attached to these minutes.

Keith reports there are no leak adjustments and one (1) deposit refund (default) in the amount of \$50.07 per account # 105441.

Water salesman gallons for the month of December were 55,680. The year end total was 917,330. Forrest asked if there was any further business to be discussed.

There being no further reports or agenda items, a motion to adjourn was asked and seconded. Meeting adjourned at 11:37 a.m.

I submit these minutes as true and accurate of the aforesaid meeting.



Bonnie J. Brown, Secretary
for the Wetzel County PSD 1

COPY

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
January 3, 2006

The meeting was called to order by Forrest Tennant, Chairman.

Present Forrest Tennant, Bonnie J. Brown, Donald Sweeney and Keith Nelsen.

The minutes of the last meeting was read and approved.

The budget was discussed and there were a lot of bills this month.

There were no disconnects for this month.

The Rate Case is final.

Phase III ROW Agreements are the same.

Keith is working on Steptoe & Johnson Bond Counsel Items.

The Internet Service add-on is working.

The Draft for Water Purchase Agreement for Pine Grove is done and Keith will submit it to Pine Grove.

Keith is still working on the Converter/pump station.

The election of the officers for the new year were the same. Forrest Tennant, Chairman, Donald Sweeney, Secretary and Bonnie J. Brown, Secretary. Bonnie J. Brown made motion, Donald Sweeney second motion, motion carried.

The 2005 audit is finished.

The new rates will be on the January bill.

The water salesman gallons for the month is 66,240 gallons.

Bonnie J. Brown made motion to adjourn, second by Donald Sweeney, motion carried.


Bonnie J. Brown, Secretary



WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE

Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

MINUTES ON ADOPTION OF BOND RESOLUTION

The undersigned SECRETARY of the Public Service Board of Wetzel County Public Service District Number One, hereby certifies 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 Wetzel County Public Service District Number One met in special session, pursuant to notice duly posted, on the 23rd day of June, 2006, at the Reader Volunteer Fire Department, Reader, Wetzel County, West Virginia, at the hour of 10:00 a.m.

PRESENT: Forrest Tennant, Chairman
 Bonnie J. Brown, Secretary
 Donald Sweeney, Treasurer

ABSENT: None

Forrest Tennant, Chairman, presided, and Bonnie J. Brown acted as Secretary.

The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

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

RESOLUTION AUTHORIZING THE ACQUISITION
AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE
PROPERTIES CONSISTING OF ADDITIONS,
IMPROVEMENTS AND EXTENSIONS TO THE
EXISTING WATERWORKS SYSTEM OF WETZEL
COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE,
AND THE FINANCING OF A PORTION OF THE COST,

NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,200,000 AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Bonnie Brown and seconded by Donald Sweeney, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the board considered for approval the First Requisition of the Bond proceeds, authorizing payment of invoices from the proceeds of the Bonds. On motion by Donald Sweeney and seconded by Bonnie Brown, it was unanimously ordered that the First Requisition be approved and the chairman was authorized to execute the same.

Thereupon, the board considered for approval and execution and delivery by the proper officers of the district the following USDA documents in connection with issuance of the bonds: (i) Loan Resolution- RUS Bulletin 1780-23; (ii) Request for Obligation of Funds- Form RD 1940-1; (iii) Grant Agreement- RUS Bulletin 1780-12; and (iv) Letter of Intent to Meet Conditions- Form RD 1942-46. On motion by Bonnie Brown and seconded by Donald Sweeney, it was unanimously ordered that said USDA documents be approved and the chairman and secretary were authorized to execute the same.

Thereupon, the board considered providing Notice of Award and Notice to Proceed to the contractors who were the low bidders on the project. On motion by Bonnie Brown and seconded by Donald Sweeney, it was unanimously ordered that Notice of Award and Notice to Proceed be provided to the low bidders for the district's water project.

Thereupon, the board considered for approval and execution and delivery by the proper officers of the district the construction contracts for the district's water project. On motion by Bonnie Brown and seconded by Donald Sweeney, it was unanimously ordered that said construction contracts be approved and the chairman and secretary were authorized to execute the same.

Thereupon, the board considered for approval and execution and delivery by the proper officers of the district, Engineering Amendment Number 1 increasing the engineering special services budget for the district's water project. On motion by Bonnie Brown and seconded by Donald Sweeney, it was unanimously ordered that said construction contracts be approved and the chairman and secretary were authorized to execute the same.

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

CERTIFICATION

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

WITNESS my signature on this 27th day of June, 2006.


Secretary

06/21/06
963040.00001

NOTICE OF PUBLIC HEARING OF THE PUBLIC SERVICE BOARD OF WETZEL COUNTY PUBLIC SERVICE DISTRICT NUMBER ONE TO ADOPT BOND RESOLUTION

A special meeting of the Public Service Board of the Wetzel County Public Service District Number One (the "District") will be held to consider and adopt the following-entitled Resolution, and to take such other action as necessary in relation thereto, on Friday, June 23, 2006, at 10:00 a.m., prevailing time, at the Reader Volunteer Fire Department, WV Route 20, Reader, Wetzel County, West Virginia, and at such meeting the Board shall consider and adopt such Resolution entitled:

Resolution authorizing the acquisition and construction of certain Public Service properties consisting of additions, improvements and extensions to the existing waterworks system of Wetzel County Public Service District Number One, and the financing of a portion of the cost, not otherwise provided thereof, through the issuance by the district of not more than \$1,200,000 aggregate principal amount of water revenue bonds, series 2006 a (United States Department of Agriculture); defining and prescribing the terms and provisions of the bonds; providing generally for the rights and remedies of and security for the holder of the bonds; and providing when this resolution shall take effect.

The above-quoted title of the Resolution describes generally the contents thereof and the purposes of the Bonds contemplated thereby. The proceeds of the Bonds will be used to provide permanent financing of a portion of the costs of (i) acquisition and construction of certain additions, betterments, improvements and extensions to the existing public waterworks system of the District and (ii) paying costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the waterworks system of the District.

At the meeting, the Board intends to adopt the Resolution and take such other actions as may be necessary in furtherance of the Project and the financing contemplated by the Resolution. Such meeting is open to the public.

Dated: May 31, 2006.

/s/ Forrest L. Tennant
Chairman
WC 6-7

WETZEL CHRONICLE

New Martinsville, WV June 7, 2006

State of West Virginia, County of Wetzel:

Personally appeared before the undersigned, a Notary Public, Robert W. Munn who, being duly sworn,

states that he is the manager of the Wetzel Chronicle, a weekly newspaper of general circulation, published at New Martinsville, County of Wetzel, State of West Virginia, and that a copy of the notice attached hereto was published for 1 successive weeks in the Wetzel Chronicle, beginning on the 7 day of June, 2006 and ending on the 7 day of June, 2006.

[Signature]

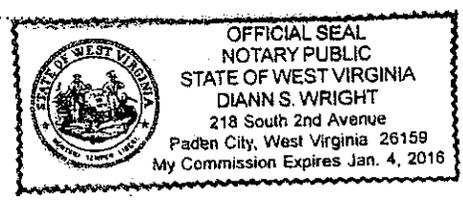
Manager, Wetzel Chronicle

Subscribed and sworn to before me, a Notary Public of said County, on this 7 day of June, 2006.

[Signature]
Notary Public

My commission expires on the 4th day of January, 2016.

Printers Fee.....



WV MUNICIPAL BOND COMMISSION
 8 Capitol Street
 Suite 500, Terminal Building
 Charleston, WV 25301
 (304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: June 27, 2006

ISSUE: Wetzel County Public Service District Number One Water Revenue Bonds, Series 2006 A (United States Department of Agriculture)

ADDRESS: P.O. Box 456, Reader, West Virginia 26167-0456 COUNTY: Wetzel

PURPOSE OF ISSUE: New Money: X
 Refunding: _____ REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: June 27, 2006 CLOSING DATE: June 27, 2006

ISSUE AMOUNT: \$ 925,000 RATE: 4.375 %

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

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

BOND COUNSEL: Steptoe & Johnson PLLC
 Contact Person: Vincent A. Collins, Esquire
 Phone: (304) 598-8161

UNDERWRITERS COUNSEL: _____
 Contact Person: _____
 Phone: _____

CLOSING BANK: WesBanco Bank, Inc.
 Contact Person: Ruth Longwell
 Phone: (304) 455.6570

ESCROW TRUSTEE: _____
 Contact Person: _____
 Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
 Contact Person: Mr. Keith Nelson
 Position: General Manager
 Phone: 304.386.4870

OTHER: United States Department of Agriculture
 Contact Person: Ms. Virginia M. McDonald
 Function: Rural Development Specialist
 Phone: (304) 420.6666

DEPOSITS TO MBC AT CLOSE:	Accrued Interest:	\$ _____
By: _____ Wire	Capitalized Interest:	\$ _____
_____ Check	Reserve Account:	\$ _____
	Other:	\$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE	To Escrow Trustee:	\$ _____
By: _____ Wire	To Issuer:	\$ _____
_____ Check	To Cons. Invest. Fund:	\$ _____
_____ IGT	To Other:	\$ _____

NOTES: Monthly debt service payments will be made by the District directly to the National Finance Office. The Municipal Bond Commission will hold the Series 2006 A Bonds Reserve Account. Payments to the Series 2006 A Bonds Reserve Account will commence within 24 months of closing date.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
 DOCUMENTS REQUIRED: _____
 TRANSFERS REQUIRED: _____

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

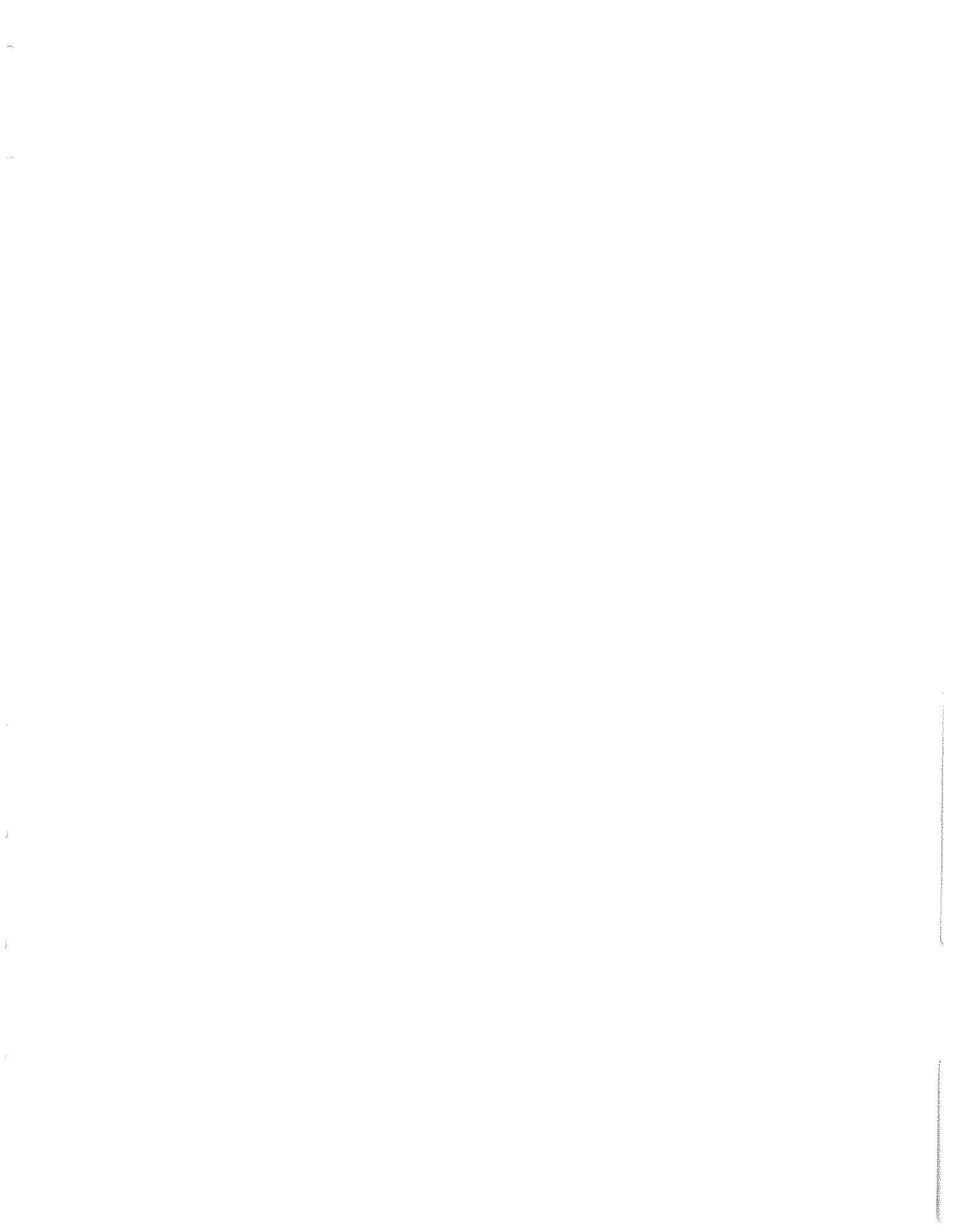
The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

6/06/06
963040.00001





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

June 13, 2006

Forrest L. Tennant, Chairman
Wetzel County Public Service District No. 1
P.O. Box 456
Reader, WV 26167-0456

Re: Amendment No. 2 to
Letter of Conditions

Dear Mr. Tennant:

This letter, with Attachment No. 1 amends the letter of conditions dated December 17, 2002, and amended March 3, 2005, and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an amended RUS loan in the amount of \$925,000, an initial RUS grant in the amount of \$1,200,000, a subsequent RUS grant in the amount of \$280,000, a subsequent RUS grant in the amount of \$174,000, and other funding in the amount of \$1,300,000, for a total project cost of \$3,879,000. The other funding is planned in the form of a grant from the State of West Virginia Small Cities Block Grant Program.

Subject to the requirements noted herein, all of the conditions of the December 17, 2002 letter of conditions, and March 3, 2005 amended letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant.

The conditions referred to above are as follows:

1. The project construction budget has been amended to reflect the subsequent funding (Attachment No. 1).

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26705-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: <http://www.rurdev.usda.gov/wv>

Committed to the future of rural communities.

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

2. Loan Repayment – The \$925,000 loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. The remaining 456 months will be equal amortized monthly installments. For planning purposes, use a 4.625% interest rate and a monthly amortization factor of .00467 which provides for a monthly payment of \$4,320.00

PLEASE NOTE: If the loan is closed prior to June 30, 2006, an interest rate of 4.375% will apply, resulting in monthly payments of \$4,172.00.

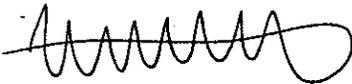
3. Bond Counsel – Your bond counsel should be provided a copy of this letter immediately. The bond counsel should proceed in accordance with RUS Instruction 1780, Subpart D.
4. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.
5. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-27, "Loan Resolution"
Form RD 1940-1, "Request for Obligation of Funds"
RUS Bulletin 1780-12, "Grant Agreement"
Form RD 1942-46, "Letter of Intent to Meet Conditions"

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,



ROBERT M. STEPTOE, III
State Director

Enclosures

cc: Page 3.

cc: RUS Rural Development Specialist
Parkersburg, WV

Willie Baker, CPA
New Martinsville, WV

Scott Hicks, Management Services Director
Belomar Regional Council
Wheeling, WV

Steptoe & Johnson
Clarksburg, WV

Trey Horner, P.E.
Horner Brothers Engineers
Clarksburg, WV

Project Construction Budget

<u>PROJECT COST</u>	<u>SCBG</u>	<u>SUB. SCBG</u>	<u>SUB. RUS GRANT</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>SUB. RUS GRANT</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 715,000	\$ 300,000	\$ 280,000	\$ 953,465	\$ 777,286	\$174,000	\$ 3,199,751
CONST. CONTINGENCY				\$ 87,500	\$ 11,400		\$ 98,900
LAND & RIGHTS	\$ 8,000						\$ 8,000
LEGAL FEES				\$ 3,000	\$ 12,000		\$ 15,000
BOND COUNSEL					\$ 12,000		\$ 12,000
ACCOUNTING					\$ 2,500		\$ 2,500
ENGINEERING FEES	\$ 214,000			\$ 111,500	\$ 65,500		\$ 391,000
Basic - \$229,000							\$ -
Insp. - \$152,000							\$ -
Special - \$10,000							\$ -
INTEREST					\$ 38,585		\$ 38,585
ADMINISTRATION	\$ 50,000						\$ 50,000
EQUIPMENT							\$ -
TAP FEE ASSISTANCE	\$ 13,000						\$ 13,000
PROJECT CONTG.				\$ 44,535	\$ 5,729		\$ 50,264
TOTAL	\$1,000,000	\$ 300,000	\$ 280,000	\$ 1,200,000	\$ 925,000	\$174,000	\$ 3,879,000

Rates

Available for general domestic, commercial, and industrial service.

First 3,000	gallons @	\$ 10.77	per M gallons
Next 3,000	gallons @	\$ 10.19	per M gallons
Next 4,000	gallons @	\$ 9.61	per M gallons
Over 10,000	gallons @	\$ 9.03	per M gallons

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4"	\$ 32.33	per month
3/4"	\$ 48.50	per month
1"	\$ 80.83	per month
1 1/2"	\$ 161.65	per month
2"	\$ 258.64	per month
3"	\$ 484.95	per month
4"	\$ 808.25	per month
6"	\$1,616.50	per month
8"	\$2,586.40	per month

Minimum Monthly Bill - \$32.31 for 3,000 gallons

Delayed Payment Penalty

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

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Amended Letter of Conditions
 For: Wetzel County Public Service District No. 1
 Date: June 13, 2006

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
 USE AND INCOME ANALYSIS
 POST PROJECT SYSTEM

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 3,000	Next 3,000	Next 4,000	Over 10,000	TOTAL REVENUE
0 - 3,000	357	849.00	357					
3,001 - 6,000	207	997.00		621.00	376.00			
6,001 - 10,000	38	310.00		114.00	114.00	82.00		
Over 10,000	8	243.00		24.00	24.00	32.00	163.00	
Monthly Total	610	2,399.00	357	759.00	514.00	114.00	163.00	
Proposed Rates			\$ 32.33	\$ 10.77	\$ 10.19	\$ 9.61	\$ 9.03	
Monthly Revenues			\$ 11,541.81	\$ 8,174.43	\$ 5,237.66	\$ 1,095.54	\$ 1,471.89	\$ 27,521.33
Annual Revenues			\$ 138,501.72	\$ 98,093.16	\$ 62,851.92	\$ 13,146.48	\$ 17,662.68	\$ 330,255.96

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
OPERATING BUDGET

OPERATING INCOME

Metered Sales	\$ 330,255	
Other Income	\$ 334	
TOTAL OPERATING INCOME		<u>\$ 330,589</u>

NON OPERATING INCOME

Interest income		
TOTAL NON OPERATING INCOME		<u>\$ -</u>

TOTAL INCOME

\$ 330,589

EXPENSES

O & M	\$ 192,155	
Taxes	\$ 6,259	
TOTAL EXPENSES		<u>\$ 198,414</u>

INCOME AVAILABLE FOR D/S (A)

\$ 132,175

DEBT SERVICE

Existing Bond P & I (B)	\$ 64,808	
Proposed Bond P & I (B)	\$ 50,064	
TOTAL DEBT SERVICE		<u>\$ 114,872</u>

DEBT SERVICE RESERVE

Debt Service Reserve - Existing	\$ 6,481	
Debt Service Reserve - Proposed	\$ 5,007	
TOTAL DEBT SERVICE RESERVE		<u>\$ 11,488</u>

SURPLUS (DEFICIT)

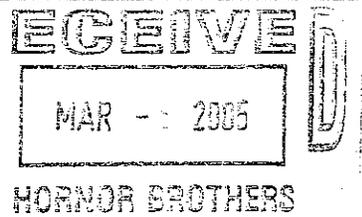
\$ 5,815

DEBT COVERAGE (A/B)

115%

USDA UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

75 High Street Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • fax 304.284.4893 • TTY/TDD 304.284.4836



March 3, 2005

Forrest L. Tennant, Chairman
Wetzel County Public Service District No. 1
P.O. Box 456
Reader, WV 26167-0456

Re: Amendment No. 1 to
Letter of Conditions

Dear Mr. Tennant:

This letter, with Attachment No. 1 amends the letter of conditions dated December 17, 2002 and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of a reduced RUS loan in the amount of \$780,000, an initial RUS grant in the amount of \$1,200,000, a subsequent RUS grant in the amount of \$280,000, and other funding in the amount of \$1,300,000, for a total project cost of \$3,560,000. The other funding is planned in the form of a grant from the State of West Virginia Small Cities Block Grant Program. The RUS loan is being reduced from \$1,200,000 to \$780,000.

Subject to the requirements noted herein, all of the conditions of the December 17, 2002 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

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



USDA Rural Development is an Equal Opportunity Lender, Provider and Employer
Complaints of discrimination should be sent to: USDA Director, Office of Civil Rights, Washington, D.C. 20250-9410

COMMITTED TO THE FUTURE OF RURAL COMMUNITIES

The conditions referred to above are as follows:

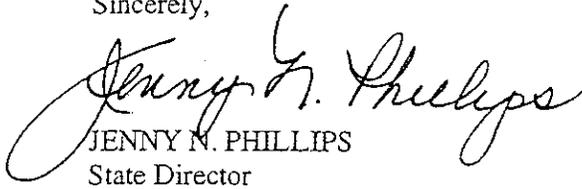
1. Loan Repayment – The reduced loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. The remaining 456 months will be equal amortized monthly installments. For planning purposes, use a 4.625% interest rate and a monthly amortization factor of .00467 which provides for a monthly payment of \$3,643 on the reduced loan.
2. Users – The conditional commitment is based upon you providing evidence that there will be at least 622 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 224 signed user agreements and a certification from you that identifies and attests to the number of users that are actually connected to the District's water system which is to be partially replaced by the new system, at the time you request authorization to advertise the project for construction bids.
3. A copy of this letter should be provided to your bond counsel immediately.
4. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.
5. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 – “Water or Waste System Grant Agreement”
Form RD 442-7 – “Initial Operating Budget”
Form 1940-1 – “Request for Obligation of Funds”
RUS Bulletin 1780-27 – “Loan Resolution”
Form RD 1942-46 – “Letter of Intent to Meet Conditions”

If the conditions set forth in this letter are not met within twelve (12) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,



Jenny N. Phillips

JENNY N. PHILLIPS
State Director

Enclosures

cc: RUS Rural Development Specialist
Parkersburg, WV

Willie Baker, CPA
New Martinsville, WV

Scott Hicks, Management Services Director
Belomar Regional Council
Wheeling, WV

Steptoe & Johnson
Clarksburg, WV

Trey Horner, P.E.
Horner Brothers Engineers
Clarksburg, WV

Attachment No. 1 to Amended Letter of Conditions
 For: Wetzel County Public Service District No. 1
 Date: March 3, 2005

Project Construction Budget

<u>PROJECT COST</u>	<u>SCBG</u>	<u>SUB. SCBG</u>	<u>SUB. RUS GRANT</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 715,000	\$ 300,000	\$ 280,000	\$ 933,465	\$ 548,100	\$ 2,776,565
CONST. CONTINGENCY				\$ 87,500	\$ 51,400	\$ 138,900
LAND & RIGHTS	\$ 8,000					\$ 8,000
LEGAL FEES				\$ 3,000	\$ 12,000	\$ 15,000
BOND COUNSEL					\$ 12,000	\$ 12,000
ACCOUNTING					\$ 2,500	\$ 2,500
ENGINEERING FEES	\$ 214,000			\$ 111,500	\$ 65,500	\$ 391,000
Basic - \$229,000						
Insp. - \$152,000						
Special - \$10,000						
INTEREST					\$ 53,585	\$ 53,585
ADMINISTRATION	\$ 50,000					\$ 50,000
EQUIPMENT				\$ 20,000	\$ 10,000	\$ 30,000
TAP FEE ASSISTANCE	\$ 13,000					\$ 13,000
PROJECT CONTG.				\$ 44,535	\$ 24,915	\$ 69,450
TOTAL	\$ 1,000,000	\$ 300,000	\$ 280,000	\$ 1,200,000	\$ 780,000	\$ 3,560,000

Rates

Available for general domestic, commercial, and industrial service.

First 3,000	gallons @	\$ 9.74	per M gallons
Next 3,000	gallons @	\$ 9.21	per M gallons
Next 4,000	gallons @	\$ 8.68	per M gallons
Over 10,000	gallons @	\$ 8.16	per M gallons

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4"	\$ 29.22	per month
3/4"	\$ 43.83	per month
1"	\$ 73.05	per month
1 1/2"	\$ 146.10	per month
2"	\$ 233.76	per month
3"	\$ 438.30	per month
4"	\$ 730.50	per month
6"	\$ 1,461.00	per month
8"	\$ 2,337.60	per month

Minimum Monthly Bill - \$29.22 for 3,000 gallons

Delayed Payment Penalty

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

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Amended Letter of Conditions
 For: Wetzel County Public Service District No. 1
 Date: March 3, 2005

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
 USE AND INCOME ANALYSIS
 EXISTING SYSTEM

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 3,000	Next 3,000	Next 4,000	Over 10,000	TOTAL REVENUE
0 - 3,000	233	554.00	233					
3,001 - 6,000	135	650.00		405.00	245.00			
6,001 - 10,000	25	204.00		75.00	75.00	54.00		
Over 10,000	5	152.00		15.00	15.00	20.00	102.00	
Monthly Total	398.00	1,560.00	233.00	495.00	385.00	74.00	102.00	
Proposed Rates			\$ 29.22	\$ 9.74	\$ 9.21	\$ 8.68	\$ 8.16	
Monthly Revenues			\$ 6,808.26	\$ 4,821.30	\$ 3,085.35	\$ 642.32	\$ 832.32	\$ 16,189.55
Annual Revenues			\$ 81,699.12	\$ 57,855.60	\$ 37,024.20	\$ 7,707.84	\$ 9,987.84	\$ 194,274.60

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
 USE AND INCOME ANALYSIS
 EXTENSION AREA

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 3,000	Next 3,000	Next 4,000	Over 10,000	TOTAL REVENUE
0 - 3,000	129	387.00	129					
3,001 - 6,000	74	345.00		222.00	123.00			
6,001 - 10,000	19	147.00		57.00	57.00	33.00		
Over 10,000	2	23.00		6.00	6.00	8.00	3.00	

Monthly Total 224.00 902.00 129.00 285.00 186.00 41.00 3.00

Proposed Rates \$ 29.22 \$ 9.74 \$ 9.21 \$ 8.68 \$ 8.16

Monthly Revenues \$ 3,769.38 \$ 2,775.90 \$ 1,713.06 \$ 355.88 \$ 24.48 \$ 8,638.70

Annual Revenues \$ 45,232.56 \$ 33,310.80 \$ 20,556.72 \$ 4,270.56 \$ 293.76 \$ 103,664.40

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
OPERATING BUDGET

OPERATING INCOME		
Metered Sales	\$ 298,894	
Other Income	\$ 4,772	
TOTAL OPERATING INCOME		<u>\$ 303,666</u>
NON OPERATING INCOME		
Interest income		\$ -
TOTAL NON OPERATING INCOME		<u>\$ -</u>
TOTAL INCOME		<u>\$ 303,666</u>
EXPENSES		
O & M	\$ 174,912	
Taxes	\$ 3,514	
TOTAL EXPENSES		<u>\$ 178,426</u>
INCOME AVAILABLE FOR D/S (A)		<u>\$ 125,240</u>
DEBT SERVICE		
Existing Bond P & I (B)	\$ 64,801	
Proposed Bond P & I (B)	\$ 43,716	
TOTAL DEBT SERVICE		<u>\$ 108,517</u>
DEBT SERVICE RESERVE		
Debt Service Reserve - Existing	\$ 2,604	
Debt Service Reserve - Proposed	\$ 4,372	
TOTAL DEBT SERVICE RESERVE		<u>\$ 6,976</u>
SURPLUS (DEFICIT)		<u><u>\$ 9,747</u></u>
DEBT COVERAGE (A/B)		115%



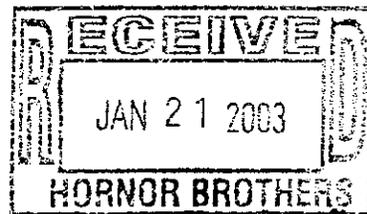
United States
Department of
Agriculture

Rural
Development

Federal Building
75 High Street, Room 320
Morgantown, WV 26505-7500
Phone (304) 284-4888
FAX (304) 284-4892
TTY/TDD (304) 284-4836

December 17, 2002

Forrest L. Tennant, Chairman
Wetzel County Public Service District No. 1
P.O. Box 456
Reader, WV 26167



Dear Mr. Tennant:

This letter, with Attachments 1 through 14 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS loan in the amount of \$1,200,000, an RUS grant in the amount of \$1,200,000, and other funding in the amount of \$1,000,000, for a total project cost of \$3,400,000. The other funding is planned in the form of a grant from the State of West Virginia Small Cities Block Grant Program.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

- Attachment No. 1 - Project Construction Budget (All Copies)
- Attachment No. 2 - Water and Waste Processing Checklist for Wetzel County PSD
No. 1 (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel
Copies)

- Attachment No. 6 - RUS Supplemental General Conditions (Engineer Copy)
 Attachment No. 7 - RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Project with RUS Financial Assistance"
 Attachment No. 8 - Government Auditing Standards (Revision 1994) (Accountant Copy)
 Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
 Attachment No. 10 - RUS Bulletin 1780-31, "Water Programs Compliance Supplement for OMB Circular A-133 Audits"
 Attachment No. 11 - Water Users Agreement (Applicant and Attorney Copies)
 Attachment No. 12 - Declination Statement (Applicant and Attorney Copies)
 Attachment No. 13 - Sample Credit Agreement (Applicant Copy)
 Attachment No. 14 - Various other RD Forms as identified on Attachment No. 2

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.625% interest rate and a monthly amortization factor of .00467, which provides for a monthly payment of \$5604. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

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

2. Security - The loan must be secured by a statutory lien of equal priority with the District's existing water revenue bonds, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.
3. Users - This conditional commitment is based upon you providing evidence that you will have at least 632 bona fide users on the proposed system when it has

been completed and is placed in operation. This evidence will consist of 224 signed user agreements and a certification from you that identifies and attests to the number of users actually connected to and using the District's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Water Users Agreement (RUS Bulletin 1780-9) will be used. Each user signing an agreement must make a user contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user agreement or a declination statement, the individual making the contact for the District should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service. Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the water service of the existing system (paying monthly bills), (2) signed user agreements, (3) signed service declination statements, (4) records evidencing user contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

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

Prior to loan and grant closing, you must provide RUS with documentation that the West Virginia Public Service Commission has reviewed and approved the engineering agreement.

6. Legal Services – It will be necessary for you to obtain the services of a local attorney. For your convenience RUS Bulletin 1780-7, “Legal Services Agreement” is enclosed for your use.
7. Accounting Services – It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
 - b. Prior to the advertisement of bids, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

The Accountant’s Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

RUS regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your District. The attached booklets, “Government Auditing Standards (Revised 1994)” (Attachment No. 8), and RUS Bulletins 1780-30 and 1780-31 (Attachment Nos. 9 & 10) outline audit requirements.

You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$300,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

8. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:
 - a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
 - b. A copy of deeds, contracts or options for any lands needed other than rights-of-

way, along with a preliminary title opinion covering such lands. Form RD 1927-9, "Preliminary Title Opinion" may be used. In the case of your existing system or where the District already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.

- c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.
 - d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions.
 - e. On the day of loan closing, the District's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the District has already acquired real property(s) (land or facilities), the District's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.
9. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
- West Virginia Department of Highways
 - Railroads
 - State Department of Health
 - Department of Environmental Protection
 - Public Land Corporation
10. Public Service Commission Approvals - You must obtain the following from the Public Service Commission of West Virginia:
- a. A Certificate of Convenience and Necessity.
 - b. Approval of user charges that are acceptable to you and the Rural Utilities Service.
 - c. Approval of financing for the project's proposed financing arrangements.

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

11. Insurance and Bonding Requirements - Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:
 - a. Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.
 - b. Workers' Compensation - In accordance with appropriate State laws.
 - c. Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).
 - d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
 - (1) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (2) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.
 - e. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

12. Contract Documents, Final Plans and Specifications -

a. The contract documents should consist of the following:

- (1) EJCDC Document No. 1910-8-A-1-FA, 1997 Edition, "Standard Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. 1910-8-FA, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.
- (2) "RUS Supplemental General Conditions."

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

b. The contract documents must provide, as a minimum, the following insurance:

- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. This coverage must include indemnification of the District and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.
- (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.
- (3) Workers' Compensation - In accordance with applicable State laws.

c. The contract documents and final plans and specifications must be submitted to RUS for approval.

d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 13).

14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your District, over 30 day periods. Any grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account.

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

The District must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.

15. Water Purchase Contract - You propose to continue purchasing treated water from the City of New Martinsville. The City has indicated in correspondence that it will be necessary to negotiate a revised Water Purchase Contract. Form RD 442-30 must be used unless you receive an exception from RUS.
16. Other Grants - Prior to advertisement for construction bids, you must provide evidence showing the approval of the other grants. This evidence should include a copy of the grant award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the “other” grant funds are available for expenditure. This evidence should consist of at least a letter from the grantor stating the funds are available for expenditure.
17. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:
- Form RD 442-7 - “Operating Budget”
 - Form RD 1940-1 - “Request for Obligation of Funds”
 - RUS Bulletin 1780-12 - “Water or Waste System Grant Agreement”
 - RUS Bulletin 1780-27 - “Loan Resolution (Public Bodies)”
 - Form RD 400-1 - “Equal Opportunity Agreement”
 - Form RD 400-4 - “Assurance Agreement”
 - Form AD 1047 - “Certification Regarding Debarment - Primary”
 - Form AD 1049 - “Certification Regarding Drug-Free Workplace”
 - Form RD 1910-11 - “Applicant Certification, Federal Collection Policies”
 - FmHA Instruction 1940-Q, Exhibit A-1, “Certification for Contracts, Grants and Loans”
 - Form RD 1942-46, “Letter of Intent to Meet Conditions”
18. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the

USDA - Rural Development State Office with a request for loan closing instructions to be issued.

19. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed.

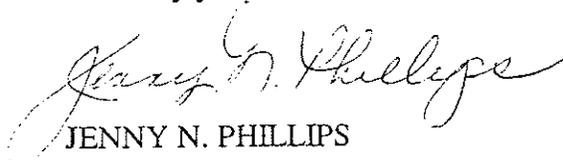
When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds.

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

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,


JENNY N. PHILLIPS
State Director

Enclosures

cc: Rural Development Specialist
Parkersburg, WV

Willie Baker, CPA
New Martinsville, WV

Honor Brothers Engineers
Clarksburg, WV

Project Construction Budget

<u>PROJECT COST</u>	<u>SCBG</u>	<u>RUS GRANT</u>	<u>RUS LOAN</u>	<u>TOTAL</u>
CONSTRUCTION	\$ 942,000	\$ 857,365	\$ 778,200	\$ 2,577,565
CONST. CONTINGENCY		\$ 67,600	\$ 61,300	\$ 128,900
LAND & RIGHTS	\$ 8,000			\$ 8,000
LEGAL FEES		\$ 7,900	\$ 7,100	\$ 15,000
BOND COUNSEL		\$ 6,300	\$ 5,700	\$ 12,000
ACCOUNTING		\$ 1,400	\$ 1,100	\$ 2,500
ENGINEERING FEES		\$ 205,000	\$ 186,000	\$ 391,000
Basic - \$229,000				
Insp. - \$152,000				
Special - \$10,000				
INTEREST			\$ 111,000	\$ 111,000
ADMINISTRATION	\$ 50,000			\$ 50,000
EQUIPMENT		\$ 20,785	\$ 18,800	\$ 39,585
PROJECT CONTG.		\$ 33,650	\$ 30,800	\$ 64,450
TOTAL	\$ 1,000,000	\$ 1,200,000	\$ 1,200,000	\$ 3,400,000

Rates

Available for general domestic, commercial, and industrial service.

First	3,000	gallons @	\$ 8.32	per M gallons
Next	3,000	gallons @	\$ 7.87	per M gallons
Next	4,000	gallons @	\$ 7.42	per M gallons
Next	10,000	gallons @	\$ 6.97	per M gallons
Over	20,000	gallons @	\$ 6.52	per M gallons

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4"	meter	\$ 24.96	per month
3/4"	meter	\$ 37.44	per month
1"	meter	\$ 62.40	per month
1 1/2"	meter	\$ 124.80	per month
2"	meter	\$ 199.68	per month
3"	meter	\$ 374.40	per month
4"	meter	\$ 624.00	per month
6"	meter	\$ 1,248.00	per month
8"	meter	\$ 1,996.80	per month

Minimum Monthly Bill - \$24.96 for 3,000 gallons

Delayed Payment Penalty

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

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Letter of Conditions
 For: Wetzel County Public Service District No. 1
 Date: December 17, 2002

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
 USE AND INCOME ANALYSIS
 EXISTING SYSTEM

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 3,000	Next 3,000	Next 4,000	Over 10,000	TOTAL REVENUE
0 - 3,000	235	4,560	235					
3,001-6,000	135	6,320		405	227			
6,001-10,000	30	2,370		90	90	57		
Over 10,000	8	4,390		24	24	32	359	
Monthly Total	408	17,640	235	519	341	89	359	
Proposed Rates			\$ 24.96	\$ 8.32	\$ 7.87	\$ 7.42	\$ 6.97	
Monthly Revenues			\$ 5,865.60	\$ 4,318.08	\$ 2,683.67	\$ 660.38	\$ 2,502.23	\$ 16,029.96
Annual Revenues			\$ 70,387.20	\$ 51,816.96	\$ 32,204.04	\$ 7,924.56	\$ 30,026.76	\$ 192,359.52

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
 USE AND INCOME ANALYSIS
 EXTENSION AREA

Blocking	Cust.	Gal/ Mo.	Minimum Bills	FIRST 3,000	NEXT 3,000	NEXT 4,000	OVER 10,000	TOTAL REVENUE
0 - 3,000	129	3,870	129					
3,001-6,000	74	3,450		222	123			
6,001-10,000	19	1,470		57	57	33		
Over 10,000	2	230		6	6	8	3	
Monthly Total	224	9,020	129	285	186	41	3	
Proposed Rates			\$ 24.96	\$ 8.32	\$ 7.87	\$ 7.42	\$ 6.97	
Monthly Revenues			\$ 3,219.84	\$ 2,371.20	\$ 1,463.82	\$ 304.22		\$ 7,359.08
Annual Revenues			\$ 38,638.08	\$ 28,454.40	\$ 17,565.84	\$ 3,650.64		\$ 88,308.96

WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1
OPERATING BUDGET

OPERATING INCOME		
Metered Sales	\$ 280,668	
Penalties		
Other Income	\$ 5,044	
Reconnect Fees		
TOTAL OPERATING INCOME		<u>\$ 285,712</u>
NON OPERATING INCOME		
Interest income		\$ -
TOTAL NON OPERATING INCOME		<u>\$ -</u>
TOTAL INCOME		<u>\$ 285,712</u>
EXPENSES		
O & M	\$ 130,223	
Taxes	\$ 3,460	
TOTAL EXPENSES		<u>\$ 133,683</u>
INCOME AVAILABLE FOR D/S (A)		<u>\$ 152,029</u>
DEBT SERVICE		
Existing Bond P & I (B)	\$ 64,801	
Proposed Bond P & I (B)	\$ 67,248	
TOTAL DEBT SERVICE		<u>\$ 132,049</u>
DEBT SERVICE RESERVE		
Existing Debt Service Reserve	\$ 2,604	
Proposed Debt Service Reserve	\$ 6,725	
TOTAL DEBT SERVICE RESERVE		<u>\$ 9,329</u>
SURPLUS (DEFICIT)		<u>\$ 10,651</u>
DEBT COVERAGE (A/B)		\$ 1.15

**UNITED STATES DEPARTMENT OF AGRICULTURE
 RURAL UTILITIES SERVICE
 Water and Waste Processing Checklist**

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		HAVE	3
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant		HAVE	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		HAVE	3
	Bond Ordn. or Resol. On Outstanding Debts	1	1780.33(e)	Applicant/ Attorney		HAVE	5
	Bonds or Notes Outstanding Debt	1	1780.33(e)	Applicant/ Attorney		HAVE	5
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant			1
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		HAVE	1
EJCDC No. 1910-1-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer		HAVE	6
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		HAVE	5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Site Visit		S.I. 1780-2	RUS			3
	Processing Conference	1	1780.39(a)	RUS			3
	Environmental Report	2	1794	Applicant		HAVE	3
	Environmental Assessment	2	1794	RUS/ Engineer		HAVE	3
	FONSI/ Evidence of Publication	1	Exhibit 1 RUS 1794 News Ad	RUS/ Applicant		HAVE	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		HAVE	6
	Staff Engineer PER Review	1	1780.33(c)	RUS			3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		HAVE	8
	Projected Bill Analysis for New Users	2	1780.33(c)	Applicant/ Engineer		HAVE	8
	Statement reporting the <u>total</u> number of <u>potential</u> users		1780.33(c)	Applicant/ Engineer		HAVE	8
	Copy of Existing Rate Tariff	2	1780.33	Applicant		HAVE	8
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		HAVE	3
	Agency Det- ermination on the Availability of "Other Credit" with Docu- mentation	1	1780.7(d)	RUS		HAVE	3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Documentation on Service Area	1	1780.11	RUS		HAVE	3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		HAVE	1
Automated Form	Grant Determination	3	1780.35(b)	RUS		HAVE	2
	Letter of Conditions	7	1780.41 (a)(5)	RUS		HAVE	3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant			5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant			2
RD 1942-45	Project Summary	3	1780.41(a)	RUS		HAVE	1
RD 442-7	Operating Budget	3	1780.33(h)	Applicant			3
RD 1942-14	Project Fund Analysis	3	1780.41(a)	RUS		HAVE	2
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/ Applicant		HAVE	2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant			2
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant			3

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant			5
	Relationships/Associations with Agency Employees	1	1780.1(f)	RUS			3
RD 1910-11	Applicant Certification, Federal Collection Policies	1	1780.33(h)	Applicant			3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant			5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant			6
RD 400-4	Assurance Agreement	1	1901-E	Applicant			3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant		HAVE	5
	Water Users Agreement (Copy)	1	1780.39 (c)(3)	Applicant		HAVE	5
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	Applicant			Separate File
	2. List of Signed Users Numbered to Map	1	LOC	Applicant			5

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	3. List of Declination Statements Numbered to Map	1	LOC	Applicant			5
	4. Evidence of Tap Fees Being Paid	1	LOC	Applicant			5
	5. Having Users Agreements and Declination Statements Available		LOC	Applicant			
	6. Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
RD 442-30	Water Purchase Contract	1	1780.62/ 1780.63	Applicant/ Attorney/ RUS			5
	Accountant's Certification	1	LOC	Applicant/ Accountant			3
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	Applicant/ RUS			1
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
	Evidence of "Other Funds"	1	1780.44(f)	Applicant			2

ADVERTISEMENT



<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant			5
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			5
	Bid Tabulation	1	1780.61(b)	Engineer			6
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
	Flood Insurance Policy	1	1780.39(g)	Applicant			7
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7

<u>Form Number</u>	<u>Document or Action</u>	<u>Number Needed</u>	<u>Procedure Reference</u>	<u>Provided By</u>	<u>Target Date</u>	<u>Date Received</u>	<u>File Position</u>
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5


United States Department of Agriculture
Rural Development
Parkersburg Area Office

May 26, 2006

Forrest L. Tennant, Chairman
Wetzel County Public Service District No. 1
P.O. Box 456
Reader, WV 26167-0456

Dear Mr. Tennant:

The pre-closing for the District's Rural Utilities Service (RUS) loan will be held on June 23, 2006, at 10:00 AM at the Reader Volunteer Fire Department in Reader, West Virginia. The preconstruction conference will follow at 11:00 AM. The official loan closing date for the District's Water Extension Project will be June 27, 2006.

Reference is made to our Letter of Conditions dated December 17, 2002, and subsequent amendments. All of the requirements of these letters must be met and in addition, the loan must be closed in accordance with RUS Instruction 1780 and "Closing Guidelines for Community Facilities Loans to Public Bodies."

The RUS loan of \$925,000 will be closed utilizing an interest rate of 4.375%, resulting in a payment of \$4,172 per month. The District must establish a debt service reserve account with the West Virginia Municipal Bond Commission. This account must be funded at a level which equals 10% of the monthly debt payment until the equivalent of one annual loan installment is accumulated.

The following items should be submitted to our office as soon as possible but not later than June 16, 2006:

1. The District's engineer must provide a resume of the proposed inspector(s).
2. The District must provide a letter accepting the proposed inspector(s).
3. The District's accountant must certify that the accounts and records as required by the District's bond resolution have been established and are operational.
4. The District must provide evidence that it has acquired insurance and bond coverage in accordance with Item 11 of the Letter of Conditions. The position fidelity coverage must be increased to at least the amount of the estimated highest monthly construction drawdown. Once construction is complete, the position fidelity coverage may be decreased to not less than the amount of one annual installment on your RUS loans.

P.O. Box 303 Parkersburg, WV 26102-0303
Phone: (304) 420-6664 • Fax: (304) 420-6876 • TDD: (304) 284-4836 • Web: <http://www.rurdev.usda.gov/wv>

Committed to the future of rural communities.

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

5. The District must furnish evidence that it provides State Workers' Compensation Insurance. A certificate of good standing will be satisfactory.
6. The West Virginia Department of Highways permit.
7. An advance copy of the first drawdown.

On the day of preclosing, the following documents must be provided:

1. The District's attorney will need to provide Form RD 442-22 "Opinion of Counsel Relative to Rights of Way," showing no exceptions. This form should be dated June 27, 2006.
2. The District's attorney must furnish a Form RD 1927-10 "Final Title Opinion," on all property owned by the District and pertaining to the water system. A single final title opinion may be provided if it includes an attachment which adequately addresses each of the parcels identified in the preliminary title opinions. The opinion should be dated June 27, 2006.
3. The District must furnish evidence that the West Virginia Public Service Commission has approved the project.

If you have any questions regarding these or any other matters pertaining to your loan, please contact our office at your earliest convenience.

Sincerely,

VIRGINIA M. McDONALD
Rural Development Specialist

Enclosure

cc: State Director
USDA – Rural Development
Morgantown, WV

Trey Horner, P.E.
Hornor Brothers Engineers
Clarksburg, WV

Scott Hicks, Grants Coordinator
Belomar Regional Council
Wheeling, WV

W. D. Lemon, Esquire
New Martinsville, WV

Tom Aman, Esquire
Steptoe & Johnson, PLLC
Clarksburg, WV

Willie Baker, CPA
New Martinsville, WV

**CLOSING GUIDELINES FOR
COMMUNITY FACILITY LOANS TO PUBLIC BODIES**

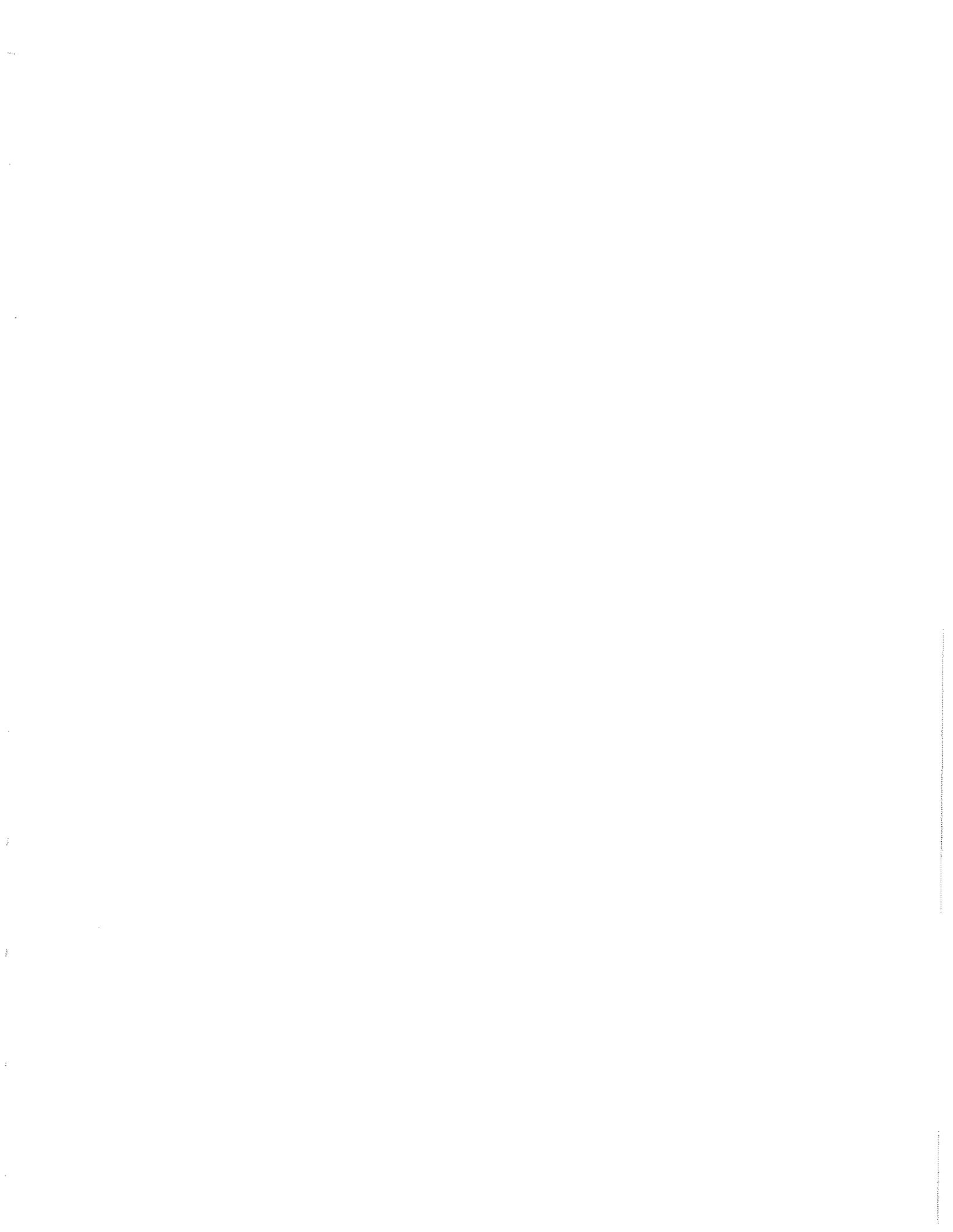
At or before the closing for the financing, the following conditions must be satisfied:

1. **General Requirements.** There must be full compliance with all requirements specified in (a) applicable Farmers Home Administration Instructions, (b) correspondence from OGC, (c) any applicable correspondence from the Administrator's office, (d) FmHA letter of conditions, (e) clearinghouse comments, and (f) any state office memorandum of approval.
2. **Loan Resolution.** Confirm that the Applicant has duly adopted the fully executed Form FmHA 1942-47, Loan Resolution (Public Bodies).
3. **Grant Agreement.** In the event that a grant is also to be made to the Applicant, then the grant may be closed in accordance with FmHA Instructions provided that these Closing Instructions have also been complied with and duly authorized officials of the Applicant have fully executed Form FmHA 1942-31, Grant Agreement.
4. **Civil Rights.** Confirm that the following fully executed civil rights forms are in the docket:
 - a. Form RD 400-1, Equal Opportunity Agreement.
 - b. Form RD 400-4, Assurance Agreement.
 - c. Form FmHA 400-8, Compliance Review (Pre-loan closing).
5. **Environmental Impact.** Confirm that a completed and executed Environmental Impact Assessment, is in the docket. If the Assessment indicates that an Environmental Impact Statement must be filed, this must be accomplished prior to loan closing.
6. **Clearinghouse Comments.** Confirm that A-95 approvals have been received from both state and regional clearinghouses. Note any comments received and confirm that the Applicant intends to comply with such comments. If the Applicant expresses a contrary intention, the State Office should be notified immediately in detail. The State Office should consult OGC with respect to the legal ramification of any such noncompliance.
7. **Specimen Bond(s).** Prior to closing, confirm that the terms of the specimen bond(s) are consistent with FmHA Instructions, the FmHA Letter of Conditions and other obligating documents. Amortization schedules and maturity dates should be checked very carefully.
8. **Certification of Payment.** If FmHA loan proceeds will be used to retire interim indebtedness, the Applicant must provide FmHA with written statements in accordance with FmHA Instruction 1942-A, 1942.17(n)(2) [7 C.F.R. 1942.17].

- e. Certified documents evidencing that the Applicant has complied fully with all statutory requirements incident to advertising the consideration and/or adoption of the bond ordinance unless Bond Counsel advises you that this is not applicable.
- f. Certified copies of the resolutions or ordinances or other documents, such as the bond authorizing resolution or ordinance and any resolution establishing rates and regulating the use of the improvements, if such documents are not included in the minutes furnished.
- g. Copies of official Notice of Sale and Affidavit of Publication of Notice of Sale unless Bond Counsel advises you that this is not applicable.
- h. Specimen Bond (of each denomination), with any attached coupons.
- i. No Litigation Certificate of Local Counsel (See Item 12 below).
- j. Certified copies of resolutions or other documents pertaining to the award of the Bond(s).
- k. Non-Arbitrage Certificate.
- l. Any additional or supporting documents required by Bond Counsel.
- m. Preliminary approving opinion, if any, and final unqualified approving opinion of Bond Counsel, including opinion regarding interest on bonds being exempt from Federal and any State income taxes.

Any omissions from the Bond transcript should be supplied by the Rural Development Specialist with the assistance of the Applicant and Bond Counsel. Obviously, certain of the documents listed above will normally be delivered prior to the closing.

- 12. Attorney's No-Litigation Certificate. Local Counsel should deliver a manually-executed original attorney's no-litigation certificate dated the date of closing.
- 13. Evidence of Title. In all cases, confirm that Local Counsel has supplied FmHA with his or her title opinion regarding the sites for any project structures such as treatment plants and community buildings. The opinion should be on Form FmHA 1927-10 with any changes necessary to reflect the circumstances of this financing. In the case of utility-type financings, confirm that executed Form FmHA 442-21 and 442-22 concerning rights-of-way are also in the docket. Any title exceptions should either be removed prior to closing or be specifically cleared through OGC.
- 14. Additional Instructions. OGC will normally issue additional closing instructions on a case-by-case basis containing special requirements for specific loans. The District Director should review the Closing Instructions prepared by OGC relating to the specific case and close the loan in accordance with those instructions.



Water and Waste System Grant Agreement
United States Department of Agriculture
Rural Utilities Service

COPY

THIS AGREEMENT dated June 23, 2006, between

Wetzel County Public Service District No.1

a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a water system to serve the area under its jurisdiction at an estimated cost of \$ 3,879,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 3,705,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 3,705,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 174,000 or 45 percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to the Appalachian Regional Development Act of 1965, as amended, for the purpose only of defraying a part not to exceed 45 percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, ~~adopted by resolution dated~~ as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

* - as approved by the West Virginia Public Service Commission

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

The entire water distribution system owned by the Wetzel County Public Service District No. 1 consisting of waterlines, storage tanks, booster stations, and all related facilities located in Wetzel County, West Virginia.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

None

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:
[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.
2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.
[Revision 1, 11/20/1997]
3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 174,000 which it will advance to Grantee to meet not to exceed 45 percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By Forrest S. Tennant
Forrest Tennant
(Title) Chairman

By Bonnie J. Brown
Bonnie J. Brown
(Title) Secretary

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Virginia M. McDonald Rural Development Specialist
Virginia M. McDonald (Title)

6-27-06

WATER OR WASTE SYSTEM GRANT AGREEMENT
UNITED STATES DEPARTMENT OF AGRICULTURE

COPY

RURAL UTILITIES SERVICE

THIS AGREEMENT dated March 3, 2005 between

Wetzel County Public Service District No. 1

a public corporation organized and operating under

Chapter 15, Article 13A, West Virginia Code

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of \$ 3,560,000.00 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 3,280,000.00 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 3,280,000.00 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 280,000.00 or 7.87% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed 7.87% percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

- (a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.
- (b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.
[Revision 1, 04/17/1998]
- (c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

Approximately 114,100 LF of 8, 6, 4, and 2 inch waterline, a 120,000 gallon water storage tank and necessary appurtenances to provide potable water to approximately 280 new customers in the Chiselfinger Ridge, Crow Run, Piney Fork, Boot Hill, Barker, and the Town of Jacksonburg in Wetzel County, West Virginia.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A Grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

- (1) Activities sponsored by the Grantor.
- (2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).

None

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

and attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By: Bonnie J. Brown
Bonnie J. Brown

(Title) Secretary

By: Forrest S. Tennant
Forrest Tennant

(Title) Chairman

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: Virginia M. McDonald
Virginia M. McDonald

Rural Development Specialist

(Title)

6-27-06

Water and Waste System Grant Agreement
United States Department of Agriculture
Rural Utilities Service

COPY

THIS AGREEMENT dated January 21, 2003, between

Wetzel County Public Service District No. 1

a public corporation organized and operating under

Chapter 16, Article 13A, West Virginia Code
 (Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ 3,400,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 2,200,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 2,200,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 1,200,000 or 45 percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 45 percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service,* ~~adopted by resolution dated~~ as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

* - as approved by the West Virginia Public Service Commission

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

Approximately 114,100 l.f. of 8, 6, 4, and 2 inch waterline, a 120,000 gallon water storage tank and necessary appurtenances to provide potable water to approximately 280 new customers in the Chiselfinger Ridge, Crow Run, Piney Fork, Boot Hill, Barker, and the Town of Jacksonburg in Wetzel County, West Virginia.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

- (c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.
- (d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
- (e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

None

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 1,200,000.00 which it will advance to Grantee to meet not to exceed 45 percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

Wetzel County Public Service District No. 1

By Forrest L. Tennant
Forrest L. Tennant

(Title) Chairman

By Bonnie Brown
Bonnie Brown

(Title) Secretary

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Virginia M. McDonald Rural Development Specialist
Virginia M. McDonald (Title)

6-27-06



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

BOB WISE
GOVERNOR

December 8, 2003

The Honorable Donald Mason
President
Wetzel County Commission
Post Office Box 156
New Martinsville, West Virginia 26155-0156

Dear Commissioner Mason:

Thank you for your application to the Small Cities Block Grant program.

Your request has been approved in the amount of \$1,000,000. These funds will enable you to construct Phase III of the Wetzel County PSD #1 water system expansion.

In order to effectively use the limited dollars available, I hereby commit \$400,000 from our fiscal year 2003 allocation that will immediately be available to you. The remaining \$600,000 necessary to complete this project will be evaluated and committed in the coming year. I encourage you to expedite this project and reach its completion as quickly as possible with this funding strategy in mind.

Please contact Mrs. Pamela K. King of the West Virginia Development Office, at (304) 558-4010, to complete the necessary contract in order to proceed with your project.

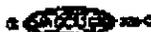
The West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule. These funds would be replaced with a letter of intent for consideration from future allocations.

I am pleased to assist with these improvements for the citizens of the Wetzel County.

Very truly yours,

Bob Wise
Governor

BW:pkc





STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 26305

Bob Wise
GOVERNOR

August 23, 2004

The Honorable Donald E. Mason
President
Wetzel County Commission
Post Office Box 156
New Martinsville, West Virginia 26155-0156

Dear Commissioner Mason:

On December 18, 2003, the Wetzel County Commission received a commitment of \$1,000,000 in Small Cities Block Grant (SCBG) funds to construct Phase III of the Wetzel County PSD #1 water system expansion.

The SCBG award was based upon your immediate need for funds; and, therefore, only \$400,000 was made available from the fiscal year 2003 allocation, with a commitment to evaluate your progress and provide the remaining funding from future allocations.

Based upon the county's ability to proceed with this worthwhile community development project, I am committing the remaining \$600,000 from the fiscal year 2004 SCBG allocation. Your existing SCBG contract will be amended to include the additional funds.

The West Virginia Development Office reserves the ability to withdraw these funds if your project does not proceed on schedule. These funds would be replaced with a letter of intent for consideration from future allocations.

I am pleased to work with you to make this improvement a reality for the citizens of Wetzel County.

Very truly yours,

Bob Wise
Governor

BW:pkd



State of West Virginia

Joe Manchin III

Governor

August 5, 2005

Office of the Governor
State Capitol
1900 Kanawha Blvd., East
Charleston, WV 25305

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.wv.gov.org

The Honorable Robert Gorby
President
Wetzel County Commission
Post Office Box 156
New Martinsville, West Virginia 26155

Dear Commissioner Gorby:

Your request for additional funds has been approved in the amount of \$300,000. These funds will enable you to complete the Wetzel County PSD #1, Phase III Water System Expansion Project.

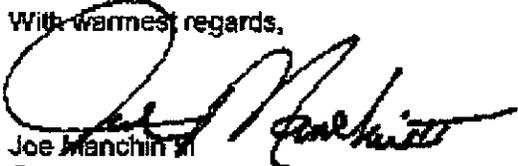
This commitment of \$300,000 from our fiscal year 2005 allocation will immediately be available to you. The total Small Cities Block Grant award for this project is \$1,300,000, of which \$1,000,000 was awarded previously from fiscal years 2003 and 2004 allocations. I encourage you to expedite this project and reach its completion as quickly as possible.

Please contact Mrs. Pamela K. King of the West Virginia Development Office, at (304) 558-4010, to complete the necessary contract in order to proceed with your project.

The West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule. These funds would be replaced with a letter of intent for consideration from future allocations.

I am pleased to assist with these improvements for the citizens of Wetzel County.

With warmest regards,


Joe Manchin III
Governor

JM:pkd



WATER PURCHASE CONTRACT

~~CURRENT~~

~~AGREEMENT~~

This contract for the sale and purchase of water is entered into as of the 1st day of January,
19 93, between the New Martinsville Water and Sanitary Sewer Board
197 Main Street, New Martinsville, WV 26155
(Address)

hereinafter referred to as the "Seller" and the Wetzel County Public Service District No. 1
Post Office Box 36, Reader, WV 26167
(Address)

hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of 16-13A-2 of the
Code of West Virginia, for the purpose of constructing and operating a water supply distribution
system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish
this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the
present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown
in the plans of the system now on file in the office of the Purchaser, and

Whereas, by a vote of approval taken on the _____ day
of January, 19 93, by the Seller, the sale of water to the Purchaser in accordance
with the provisions of this contract was approved, and the execution of this contract
carrying out the approval by the Seller
and attested by the Secretary, was duly authorized, and

Whereas, by Order of the Board
of the Purchaser, enacted on the _____ day of January, 19 93,
the purchase of water from the Seller in accordance with the terms set forth in the said order
was approved, and the execution of this contract by the Purchaser and
attested by the Secretary was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of
this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the _____
West Virginia Department of Health
in such quantity as may be required by the Purchaser not to exceed 750,000 gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at 90 PSI from an existing 6 inch main supply at a point located on

Routes 7 & 20 east of New Martinsville near Beechwood Estates

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate

shall be corrected for the 2 months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller

and Purchaser shall agree upon a different amount. The metering equipment shall be read on a monthly basis. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the 5th day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. (Rates and Payment Date) To pay the Seller, not later than the 25th day of each month, for water delivered in accordance with the following schedule of rates:

- a. \$ 0.89/1000 gal. for the first 100,000 gallons, which amount shall also be the minimum rate per month.
- b. \$ 0.89 cents per 1000 gallons for water in excess of 100,000 gallons but less than 500,000 gallons.
- c. \$ 0.89 cents per 1000 gallons for water in excess of 500,000 gallons.

2. (Connection Fee) To pay as an agreed cost, the Purchaser shall furnish and install the master meter pit and associated valves and piping. The Seller shall furnish and install the actual metering equipment.

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of 40 years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That 30 days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a

flat charge of \$ 0.89/1000 GAL. which will be paid by the contractor or, on his failure to pay, by the Purchaser.

4. (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every 1 year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder. Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in 5 counterparts, each of which shall constitute an original.

Seller:
New Martinsville Water and
Sanitary Sewer Board

By Donald E. Mason
Donald Mason
Title Mayor

Attest:

Bonnie Brown
Bonnie Brown Secretary

Purchaser:

Wetzel Co. Public Service District No. 1

By Forrest L. Tennant
Forrest Tennant
Title Chairman

Attest:

Shirley Rogers
Shirley Rogers Secretary

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, entered into as of the 21st day of July 2005, by and between NEW MARTINSVILLE WATER AND SANITARY SEWER BOARD, which has the address of 197 Main Street, New Martinsville, West Virginia 26155, party of the first part, hereinafter referred to as "Seller", and WETZEL COUNTY PUBLIC SERVICE DISTRICT NO. 1, a West Virginia public corporation, which has the address of P. O. Box 456, Reader, West Virginia 26167-0456, party of the second part, hereinafter referred to as "Purchaser",

WHEREAS, by Water Purchase Contract, dated January 1, 1993, the New Martinsville Water and Sanitary Board, as Seller, agreed to sell to Wetzel County Public Service District No. 1, as Purchaser, potable treated water meeting applicable purity standards of the West Virginia Department of Health in such quantity as may be required by the Purchaser not to exceed 750,000 gallons per month, upon the terms and conditions as set forth therein, and the Purchaser agreed to pay to the Seller for water delivered by the Seller to the Purchaser under said Water Purchase Contract, the sum of \$0.89 per 1,000 gallons, subject to modification or alteration as provided therein, and,

WHEREAS, by subsequent amendments and revisions to said Water Purchase Contract, dated January 1, 1993, as set forth in each document entitled Water Purchase Contract, dated January 1, 1994, and dated January 1, 1995, and dated January 1, 1996, the parties agreed to certain modifications or alterations of certain provisions of said Water Purchase Contract, dated January 1, 1993, so as to increase the maximum monthly gallonage which may be purchased by the Purchaser from the Seller to an amount not to exceed 1,500,000 gallons per month, and an increase of the cost of such purchased water to the sum of \$1.13 per 1,000 gallons; and,

WHEREAS, as a result of an increase in the number of customers of the Purchaser and a potential expansion of its water distribution system, an increase in the maximum monthly gallonage set forth in said Water Purchase Contract is needed by the Purchaser to satisfy additional consumption of water by its customers; and,

WHEREAS, as a result of an increase in the Seller's costs of providing water to the Purchaser, the Seller has requested an increase in rates charged by the Seller to the Purchaser for the purchase of such water to the sum of \$1.25 per 1,000 gallons; and,

WHEREAS, the Purchaser has requested the Seller to increase the maximum monthly gallonage available for purchase by the Purchaser under said Water Purchase Contract and the Seller has determined that sufficient capacity exists in its water system to provide such an increased monthly gallonage amount which may be purchased by the Purchaser from the Seller to an amount not to exceed [3,750,000] gallons per month; and,

WHEREAS, the Purchaser and Seller anticipate continued need for services and continued improvements to the Seller's potable water treatment and distribution system; and,

WHEREAS, the Purchaser and Seller agree that the terms and conditions of the current Water Purchase Contract as amended as of entry of this Supplemental Agreement are unsatisfactory for the future needs of the parties; and,

WHEREAS, notwithstanding these concerns and to assure customer service, the Seller and the Purchaser desire to enter into this Supplemental Agreement to provide that said Water Purchase Contract, dated January 1, 1993, as modified and amended by said documents entitled Water Purchase Contract dated January 1, 1994, and dated January 1, 1995, and dated January 1, 1996, is further modified and amended so as to provide for said increased maximum monthly gallonage available for purchase by the Purchaser from the Seller and to provide for the increase in the cost for such water purchased by the Purchaser from the Seller and to provide for such other matters as set forth herein related to other issues including the specific term of this agreement.

NOW, THEREFORE, THIS SUPPLEMENTAL AGREEMENT WITNESSETH:

It is agreed by and between the parties hereto that the Water Purchase Contract, by and between New Martinsville Water and Sanitary Board, as Seller, and Wetzel County Public Service District No. 1, as Purchaser, bearing date of January 1, 1993, as supplemented and amended by said documents entitled Water Purchase Contract, dated January 1, 1994, and dated January 1, 1995, and dated January 1, 1996, are hereby amended, effective as of the date hereof, to provide as follows:

1. The Seller shall furnish to the Purchaser at the point of delivery, during the term of the Water Purchase Contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the West Virginia Department of Health in such quantity as may be required by the Purchaser not to exceed [3,750,000] gallons per month.

2. Regulatory Agencies. This contract is subject to such rules, regulations and/or laws as may be applicable to similar agreements in the State of West Virginia, and the Seller and Purchaser shall collaborate in obtaining such permits, certificates and/or similar agency approvals as may be required to comply therewith.

3. Prior Notice. In the event that the Purchaser contemplates the resale of water purchased pursuant to this agreement to any other third party public service provider (including, but not limited to, a public service district, a municipality, or a privately owned water company), the Purchaser agrees to provide 30 days notice to the Seller prior to entering into such resale contract.

4. The Purchaser shall pay to the Seller, not later than the 25th day of each month, for water delivered by the Seller to the Purchaser during the previous month, the sum of \$1.25 per 1,000 gallons.

5. In all other respects, the Water Purchase Contract, dated January 1, 1993, supplemented, amended, and modified as set forth herein, shall remain in full force and effect.

6. This Supplemental Agreement is subject to any such consent and approval thereof by the West Virginia Public Service Commission as may be required by the applicable statutes and Rules and Regulations of the Public Service Commission. The Seller and the Purchaser shall use their best efforts to promptly obtain any such consent or approval as may be required by the West Virginia Public Service Commission and will do and perform any and all reasonable acts necessary to cooperate with each other and obtain any such consent and approval as may be required.

7. Term of Contract. This Supplemental Agreement and underlying contract shall extend for a term of 40 years from the date of execution of this supplemental agreement by all parties and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

8. All other provisions of this contract may be modified or altered, in writing, by mutual agreement of the parties.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this Supplemental Agreement to be executed in four counterparts, each of which shall constitute an original.

**NEW MARTINSVILLE WATER AND
SANITARY BOARD**

By: James P. Hewitt, Jr.
Its Chairman and Mayor
of the City of New Martinsville

**WETZEL COUNTY PUBLIC SERVICE
DISTRICT NO. 1, a West Virginia public
corporation**

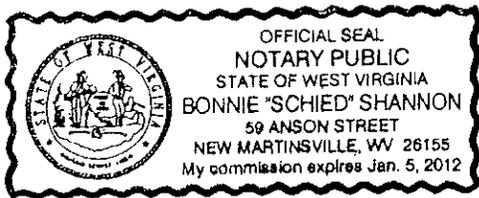
By: Forest L. Tennant
Its Chairman

STATE OF WEST VIRGINIA
COUNTY OF WETZEL:

I, Bonnie "Schied" Shannon, a Notary Public in and for said
County of Wetzel
and State, do hereby certify that, who signed the foregoing Supplemental Agreement, bearing
date the day of July 21, 2005, as Chairman of the New Martinsville Water and Sanitary
Board and as Mayor of the City of New Martinsville, a municipal corporation, has this day, in
my said County and State, before me, acknowledged the said writing to be the act and deed of
said Board and municipal corporation.

Given under my hand this day of July 21, 2005.

My commission expires: January 5, 2012.



Bonnie "Schied" Shannon
Notary Public

STATE OF WEST VIRGINIA
COUNTY OF WETZEL:

I, N. Keith Nelsen, a Notary Public in and for said
County
and State, do hereby certify that, who signed the foregoing Supplemental Agreement, bearing
date the day of July 21, 2005, as Chairman of Wetzel County Public Service District No.
1, a West Virginia public corporation, has this day, in my said County and State, before me,
acknowledged the said writing to be the act and deed of said public corporation.

Given under my hand this day of July 21, 2005.

My commission expires: September 9, 2014.



N. Keith Nelsen
Notary Public

**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 8th day of March, 2006.

CASE NO. 06-0069-W-PWD-PC

CITY OF NEW MARTINSVILLE and
WETZEL COUNTY PUBLIC SERVICE DISTRICT No. 1

Petition for consent and approval of a water purchase contract between the City of New Martinsville and Wetzel County Public Service District No. 1.

COMMISSION ORDER

On January 25, 2006, the City of New Martinsville (City) and the Wetzel County Public Service District (District) filed a joint petition for consent and approval of a supplemental water purchase contract between the City and the District. The contract was originally entered into on January 1, 1993, and the City agreed to sell the District potable treated water in the quantity the District required but not to exceed 750,000 gallons per month for the rate of \$0.89 per 1,000 gallons. Subsequent amendments and revisions to the contract increased the maximum monthly gallonage which the District could purchase from the City to an amount not to exceed 1,500,000 gallons per month and increased the rate to \$1.13 per 1,000 gallons.

The District will need an increase in the maximum monthly gallonage it can purchase from the City because it is expecting new customers and an expansion of its water distribution system. The City and the District agree that the prior agreement is ineffective and needs to be updated to allow the District to purchase an amount not to exceed 3,750,000 gallons of water per month at \$1.25 per 1,000 gallons.

On February 8, 2006, Commission Staff (Staff) filed its Initial and Final Joint Staff Memorandum. Staff noted that this petition involves both a municipality and a public service district and that the case designation should be corrected to read 06-0069-W-PWD-PC. Staff recommended approval of this supplemental water purchase agreement, and the \$1.25 per 1000 gallon bulk rate. However, Staff cautioned the City that the new bulk rate should be contained in its tariff and will have to be established by the enactment of an ordinance.

UPON CONSIDERATION, the Commission finds that this supplemental water purchase agreement should be approved.

ORDER

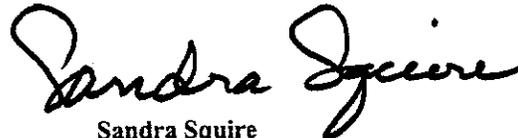
IT IS THEREFORE ORDERED that the supplemental water purchase agreement between the City of New Martinsville and the Wetzel County Public Service District No. 1, filed with the Commission on January 23, 2006, is hereby approved.

IT IS FURTHER ORDERED that the case designation is hereby changed from "Case No. 06-0069-W-PC" to "Case No. 06-0069-W-PWD-PC."

IT IS FURTHER ORDERED that upon entry of this order, this case shall be removed from the Commission's docket of open cases.

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

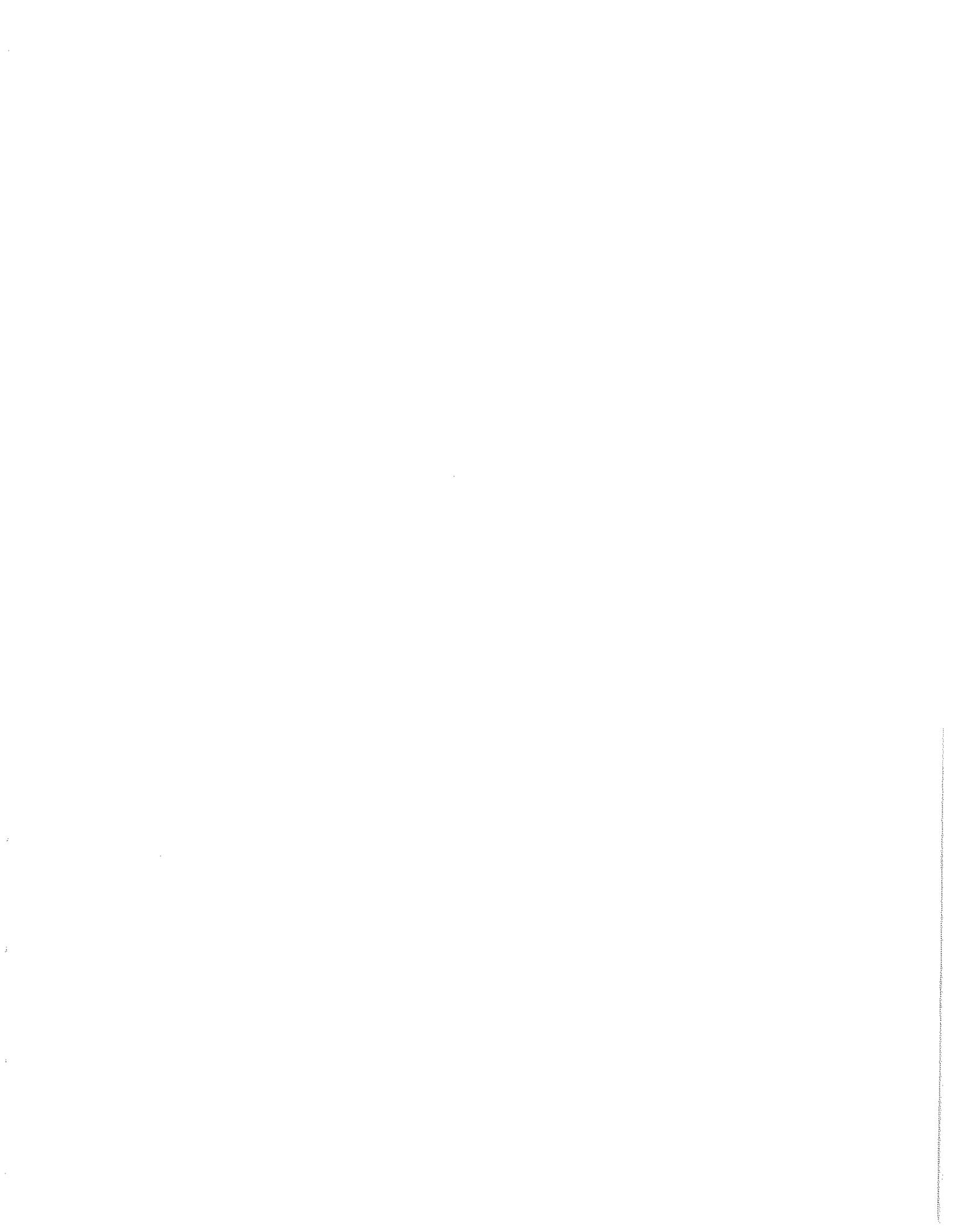
A True Copy, Teste:



Sandra Squire
Executive Secretary

LHG/s
060069c.wpd

RESERVED



Wetzel County Public Service District Number One
Water Revenue Bonds, Series 2006 A
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of WesBanco Bank, Inc., New Martinsville, West Virginia (the "Bank"), hereby certify that on June 27, 2006, the Bank received an automated transfer in the amount of \$69,300.00 to the credit of the Project Construction Account, Account Number 189462130 for the Series 2006 A Bonds.

WITNESS my signature on this 27th day of June, 2006.

WESBANCO BANK, INC.,
New Martinsville, West Virginia

By: Ruth B Longwell
Its: Authorized Officer

06/21/06
963040.00001