

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

BOND RESOLUTION

Table of Contents

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

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

Section 4.01	Establishment of Funds and Accounts with Depository Bank	19
Section 4.02	Bond Proceeds; Project Construction Account	19
Section 4.03	Covenants of the Issuer as to System Revenues and Funds	20
Section 4.04	Interim Construction Financing	24

**ARTICLE V
GENERAL COVENANTS, ETC.**

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

**ARTICLE VI
RATES, ETC.**

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

**ARTICLE VII
MISCELLANEOUS**

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Section 7.05	Conflicting Provisions Repealed	31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

DANESE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF DANESE PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$692,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2002 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 DANESE PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. Danese Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Fayette County of said State, duly created pursuant to the Act by The County Commission of Fayette 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 new public water distribution facilities in Fayette County, and all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$1,564,000, of which \$692,000 will be obtained from the proceeds of sale of the Series 2002 A Bonds herein authorized, \$300,000 will be obtained from a grant from the Purchaser, a subsequent RUS grant in the amount of \$72,000, and \$500,000 will be obtained from a grant from the West Virginia Infrastructure and Jobs Development Council.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), in the aggregate principal amount of \$692,000 (the "Series 2002 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 2002 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 2002 A Bonds as to liens, pledge and source of and security for payment, being the Water System Revenue Bonds, Series 1970, dated April 28, 1970, issued in the original aggregate principal amount of \$275,000 and the Water Revenue Bonds, Series 1971, dated December 8, 1971, issued in the original aggregate principal amount of \$73,000 (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 2002 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 2002 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated December 17, 1998, 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 2002 A Bonds, or will have so complied prior to issuance of the Series 2002 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 2002 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 2002 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 2002 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 Stafford Consultants, Inc., Princeton, 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 Branch Banking and Trust Company, Oak Hill, 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 Danese Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Fayette County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated December 17, 1998, 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 2002 A Bonds in the then current or any succeeding year.

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

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

"Prior Bonds" means, collectively, the Water System Revenue Bonds, Series 1970, and Water Revenue Bonds, Series 1971, of the Issuer described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, respectively adopted April 28, 1970, authorizing the issuance of the Water System Revenue Bonds, Series 1970, and adopted December 8, 1971, authorizing the issuance of the Water Revenue Bonds, Series 1971.

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

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

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

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

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

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

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

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

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

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

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

"Secretary" means the Secretary of the Governing Body.

"Series 2002 A Bonds" means the Water Revenue Bonds, Series 2002 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 \$1,564,000, 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 2002 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 2002 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2002 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of \$692,000, 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 2002 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 2002 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.5% per annum, and shall be sold for the par value thereof.

The Series 2002 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 2002 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 2002 A Bonds, and the right to principal of and stated interest on the Series 2002 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 2002 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 2002 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 2002 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2002 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 2002 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2002 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 2002 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2002 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 2002 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 2002 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 2002 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 2002 A Bonds shall cease to be such officer of the Issuer before the Series 2002 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 2002 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 2002 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 2002 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2002 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 2002 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2002 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 2002 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 2002 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)

DANESE PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2002 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$692,000

No. AR-1

Date: _____

FOR VALUE RECEIVED, DANESE PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of SIX HUNDRED NINETY-TWO THOUSAND DOLLARS (\$692,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$3,177, 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 _____, 2002, 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 FOLLOWING WATER REVENUE BONDS OF THE BORROWER:

(i) WATER SYSTEM REVENUE BONDS, SERIES 1970, DATED APRIL 28, 1970, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$275,000, AND DESCRIBED IN THE RESOLUTION; AND

(ii) WATER REVENUE BONDS, SERIES 1971, DATED DECEMBER 8, 1971, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$73,000, AND DESCRIBED IN THE RESOLUTION.

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

DANESE PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

Drawer C
P. O. Box No. or Street Address)

Danese, West Virginia 25831
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

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

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

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

- (1) Revenue Fund (established by the 1970 Resolution); and
- (2) 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) Depreciation Reserve (established by the 1970 Resolution); and
- (2) Series 2002 A Bonds Reserve Account.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2002 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 2002 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 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2002 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2002 A Bonds as follows:

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

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

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

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Prior Bonds and the Series 2002 A Bonds, transfer from the Revenue Fund and remit (i) to the Commission, the amounts required by the Prior Resolutions into the Series 1970 Sinking Fund and the Series 1971 Sinking Fund for payment of interest and principal of the Series 1970 Bonds and Series 1971 Bonds; and (ii) to the National Finance Office, the amounts required to pay the interest on the Series 2002 A Bonds and to amortize the principal of the Series 2002 A Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Prior

Bonds and the Series 2002 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Commission for deposit into the Series 1970 Reserve Account and Series 1971 Reserve Account the amount required by the Prior Resolutions; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2002 A Bonds Reserve Account, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2002 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 2002 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 2002 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2002 A Bonds, or for mandatory prepayment of the Series 2002 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2002 A Bond Reserve Account, so long as the Series 2002 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 Commission for the deposit in the Depreciation Reserve (i) the amounts required by the Prior Resolutions; (ii) beginning on the date specified by the Purchaser, but in any event not later than the 12th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 2002 A Bonds are outstanding;

provided, however, that in the event Revenues are insufficient to fund the Series 2002 A Bonds Reserve Account in accordance with Section 4.04B above, or a withdrawal of funds from the Series 2002 A Bonds Reserve Account is made, payment of Revenues into the Renewal and Replacement Fund as provided in this Section 4.04B shall not be made, but instead Revenues shall be applied to the replenishment of the Series 2002 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Renewal and Replacement Fund as provided in this Section 4.04B shall resume. Monies 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 2002 A Bonds as the same become due, and next to restore to the Series 2002 A Bonds Reserve Account any sum or sums transferred therefrom. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, monies in the Renewal and Replacement Fund may be withdrawn by the Issuer and used for replacements, repairs, improvements or extensions to the System.

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

Whenever the money in the Series 2002 A Bonds Reserve Account shall be sufficient to prepay the Series 2002 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2002 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 2002 A Bonds Reserve Account and the ~~X~~ Depreciation Reserve as herein provided, and all amounts required for the Series 2002 A Bonds Reserve Account and the Series 2002 A Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

The Revenue Fund, the Series 2002 A Bonds Reserve Account and the Series 2002 A Depreciation Reserve shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used,

the Purchaser shall have a lien thereon for further securing payment of the Series 2002 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 2002 A Bonds and the Prior 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 2002 A Bonds Reserve Account and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia 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 2002 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually into the Revenue Fund by the Commission.

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

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2002 A Bonds, provide evidence that there will be at least 538 bona fide

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

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

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

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

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

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 2002 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$692,000 (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 2002 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 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2002 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 2002 A Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2002 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 2002 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

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

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

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

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2002 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 2002 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 2002 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 2002 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2002 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 2002 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 2002 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; provided that prior to the Purchaser taking any action regarding any security interest or the lien security the Series 2002 A Bonds, the Purchaser will provide written notification to GMAC Commercial Mortgage Corporation ("GMAC") at 200 Witmer Road, Horsham, PA 19044-8015, or any other address that GMAC may provide. The notice must contain a description of the event of default and actions intended to be taken as a result of such default.

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

Section 5.09. Fiscal Year; Budget. While the Series 2002 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 2002 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 June 6, 2002, Case No. 02-0059-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 2002 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 2002 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 2002 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 2002 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 2002 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).

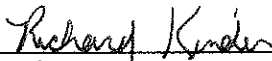
Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

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 20th day of August, 2002.

DANESE PUBLIC SERVICE DISTRICT



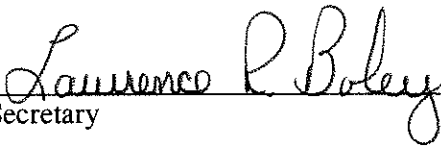
Chairman

CERTIFICATION

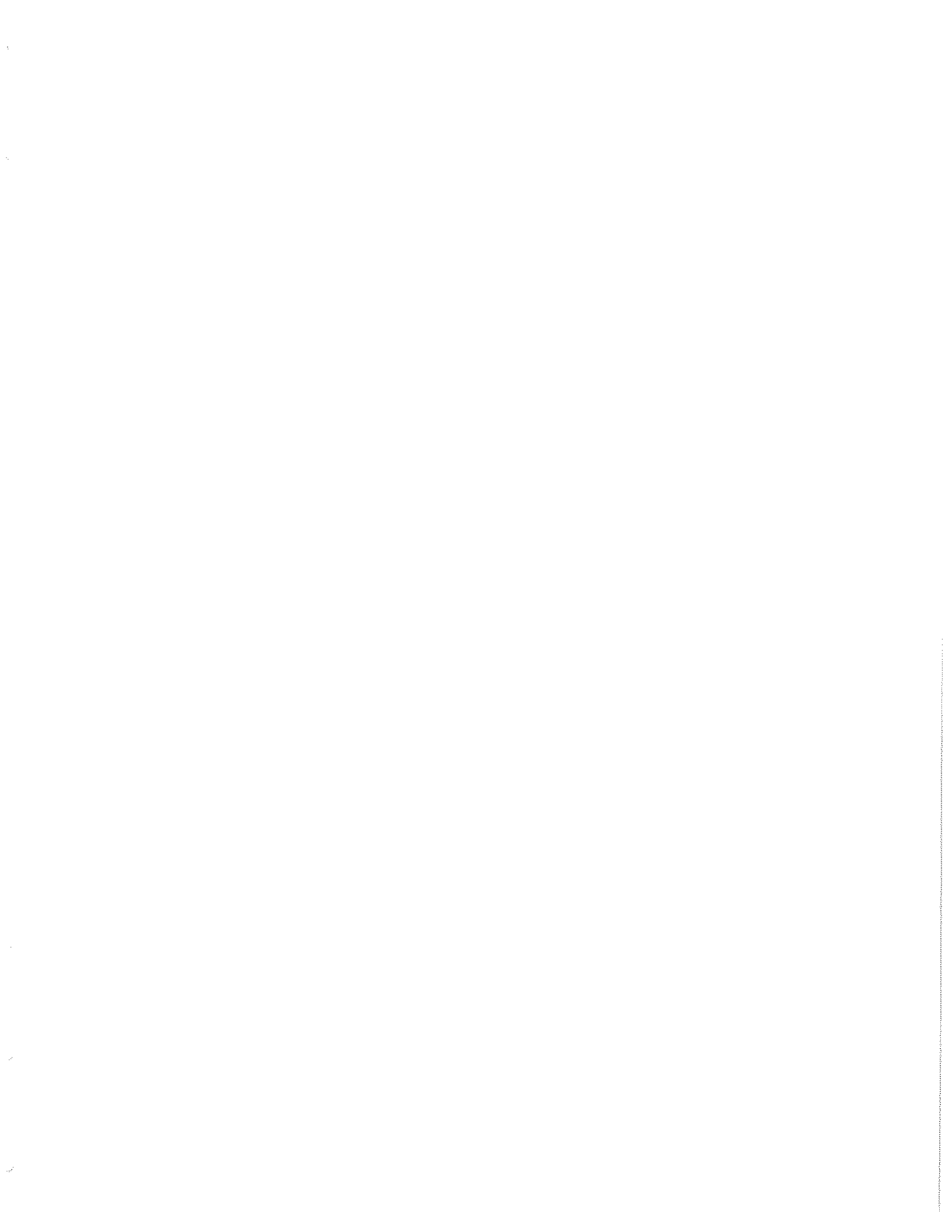
Certified a true copy of a Resolution duly adopted by the Public Service Board of DANESE PUBLIC SERVICE DISTRICT on the 20th day of August, 2002.

Dated: August 22, 2002.

[SEAL]


Secretary

08/15/02
210780.99001



DANESE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$275,000
WATER SYSTEM REVENUE BONDS OF DANESE PUBLIC
SERVICE DISTRICT TO FINANCE PART OF THE COSTS
OF CONSTRUCTION OF A WATERWORKS SYSTEM; DEFINING
AND PRESCRIBING THE TERMS AND PROVISIONS OF THE
BONDS; PROVIDING FOR THE FIXING, ESTABLISHING
AND COLLECTING OF RATES AND CHARGES FOR THE
SERVICES AND FACILITIES OF THE SYSTEM; PROVIDING
GENERALLY FOR THE RIGHTS AND REMEDIES AND SECUR-
ITIES OF THE HOLDERS OF THE BONDS AND FOR A
STATUTORY MORTGAGE LIEN UPON THE SYSTEM IN FAVOR
OF THE HOLDERS OF THE BONDS; AND PROVIDING WHEN
THIS RESOLUTION SHALL TAKE EFFECT.

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

ARTICLE I

STATUTORY AUTHORITY, FIND-
INGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of Article 13A, Chapter 16 of the West Virginia Code and other applicable provisions of law. Danese Public Service District is a public service district created pursuant to said Article 13A.

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

(A) Danese Public Service District (herein called the "District"), in Fayette County, State of West Virginia, does not now have any public waterworks system, and the inhabitants thereof urgently require such system.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the District, and, accordingly, it is hereby ordered, that there be constructed a complete new waterworks

system of the District consisting of water storage and distribution facilities with all necessary appurtenant facilities (hereinafter collectively called the "System"), particularly described in and according to the plans and specifications prepared by H. P. Thomas, Oak Hill, West Virginia (herein called the "Consulting Engineer"), and heretofore filed in the office of the Secretary of the District's Public Service Board (herein called the "Board").

(C) It is necessary for the District to issue its revenue bonds in the principal amount of \$275,000 to finance part of the cost of such construction in the manner hereinafter provided.

(D) The estimated maximum cost of the construction of the Project as hereinafter defined is \$533,000 of which \$275,000 will be obtained from the proceeds of the Bonds herein authorized, and the balance of \$258,000 from the proceeds of a Farmers Home Administration grant.

(E) The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or interest therein; interest on the 1970 Bonds prior to, during and for six months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized by this resolution.

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

(G) There are not outstanding any unpaid obligations of the District which will have priority over or rank on a parity with the Bonds authorized to be issued hereunder as to lien or source of and security for payment.

(H) The District has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the 1970 Bonds, or will have so complied prior to issuance of any of the 1970 Bonds including, among other things, the consent and approval pursuant to the Act, of the issuance of the 1970 Bonds by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Resolution to Constitute Contract.

In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this resolution shall be deemed to be and shall constitute a contract between the District and such Bondholders, and the covenants and agreements herein set forth to be performed by the District shall be for the equal benefit, protection and security of the legal holders of any and all such Bonds, and the coupons appertaining thereto, all which shall be of equal rank without preference, priority or distinction of any of the Bonds or coupons over any other thereof, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings in this resolution unless the text otherwise expressly requires:

"Act" means Article 13A, Chapter 16 of West Virginia Code.

"Board" means the Public Service Board of the District, the governing body of the District under the Act.

"Bonds" means the \$275,000 Water System Revenue Bonds, Series 1970, originally authorized to be issued pursuant to this resolution and shall also be deemed to include, where appropriate, the interest coupons attached to said Bonds; and also includes any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in this resolution, and the interest coupons appertaining to such additional parity Bonds.

"1970 Bonds" means the Bonds hereby authorized to be issued initially.

"Chairman" means the Chairman of the Board.

"Consulting Engineer" means H. P. Thomas, Oak Hill, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineer for the System.

"District" means Danese Public Service District, of Fayette County, West Virginia, and, where appropriate, also means the Public Service Board thereof.

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

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"Government" means United States Department of Agriculture, Farmers Home Administration and any successor thereof.

"Herein" means in this resolution.

"Holder of the Bonds" or "Bondholder" or any similar term means any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to the bearer, or of any coupons representing interest accrued or to accrue on said Bonds.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of operating expenses, as defined below.

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

"Original Purchaser" means the purchaser, directly from the District, of any series of Bonds issued pursuant hereto, or any part of such series.

"Project" means the initial System to be constructed as herein provided and financed in part with the proceeds of the 1970 Bonds as in this resolution provided, consisting of a complete public water system, including water storage and distribution facilities with necessary appurtenant facilities.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the District, or accrued to the District, 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 Board.

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

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS

Section 2.01. Authorization of Bonds. Subject and pursuant to the provisions of this resolution, Bonds of the District, to be known as "Water System Revenue Bonds, Series 1970" are hereby authorized to be issued in the aggregate principal amount of not exceeding Two Hundred Seventy-five Thousand Dollars (\$275,000) for the purpose of financing part of the cost of the construction and acquisition of the Project.

Section 2.02. Description of Bonds. The 1970 Bonds may be issued in coupon or single, fully registered form, and shall be dated on the date of delivery. The 1970 coupon Bonds shall be in the denomination of \$1,000 each, shall be numbered in order of maturity, lowest number first, and shall bear interest, payable annually on January 1 of each year, at the rate or rates of not to exceed the rate of five per centum (5%) per annum and a net interest cost of not to exceed the rate of five per centum (5%) per annum. The minimum price for the 1970 Bonds shall be the par value thereof. Coupon and single, fully registered 1970 Bonds shall be exchangeable and interchangeable at the expense of the holder on 90 days notice in writing to the District, provided that single, fully registered 1970 Bonds issued upon initial delivery of the 1970 Bonds by the District shall be exchanged for coupon Bonds at the expense of the District.

The 1970 Bonds shall mature serially in numerical order, lowest numbers first, on January 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 2,000	1986	\$ 5,000	1999	\$ 9,000
1974	2,000	1987	5,000	2000	9,000
1975	3,000	1988	6,000	2001	10,000
1976	3,000	1989	6,000	2002	10,000
1977	3,000	1990	6,000	2003	11,000
1978	3,000	1991	6,000	2004	11,000
1979	3,000	1992	7,000	2005	12,000
1980	4,000	1993	7,000	2006	13,000
1981	4,000	1994	7,000	2007	14,000
1982	4,000	1995	7,000	2008	14,000
1983	4,000	1996	8,000	2009	15,000
1984	5,000	1997	8,000	2010	16,000
1985	5,000	1998	8,000		

The 1970 Bonds shall be redeemable prior to their respective stated dates of maturity at the option of the District, in whole or in part, in inverse numerical order on January 1, 1981, and on any January 1 thereafter at the price of the par value thereof and accrued interest to the date of redemption, subject to earlier redemption as provided in Section 3.01 hereof upon completion of the Project.

Notice of the redemption of any of the Bonds shall be published at least once not less than thirty nor more than sixty days prior to the date of redemption in a financial newspaper published in the City of New York, New York, and notice of any such redemption shall be sent by registered or certified mail to the holders of registered Bonds. If all Bonds to be redeemed are registered other than to bearer, no publication of such redemption need be made. Interest shall cease upon any of the Bonds so called for prior redemption on the date fixed for redemption, provided payment thereof has been duly made or provided for.

The 1970 Bonds shall be payable with respect to both principal and interest in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or at First National City Bank, New York, New York, at the option of the holder unless otherwise provided in and for the single, fully registered

Bonds, and shall bear interest from their date, payable in accordance with and, as to coupon Bonds not registered as to interest, upon the surrender of the appurtenant interest coupons as they severally mature.

Section 2.03. Execution of Bonds and Coupons. The Bonds shall be executed in the name of the District 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 any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bond such person may not have held such office or may not have been so authorized.

The coupons to be attached to the Bonds shall be authenticated with the facsimile signatures of the present or any future Chairman and Secretary, and the District may adopt and use for that purpose the facsimile signature of any person who shall have been such Chairman or Secretary at the time when said Bonds shall be actually sold and delivered.

Section 2.04. Negotiability and Registration. The coupon Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of West Virginia and shall pass by delivery except when registered. The 1970 coupon Bonds may be converted into

Bonds registered as to both principal and interest in accordance with the provisions of the forms hereinafter provided.

Section 2.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond with all unmatured coupons attached of like tenor as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may require. All Bonds and coupons so surrendered shall be canceled and held for the account of the District. If any such Bond or coupon shall have matured or be about to mature, instead of issuing a substitute Bond or coupon, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond or coupon be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bonds and coupon issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the District, whether or not the destroyed, stolen or lost Bonds or coupons be at any time found by anyone, and such duplicate Bonds and coupons shall be entitled to equal and proportionate benefits with all other Bonds and coupons issued hereunder.

Section 2.06. Bonds Secured by Pledge of Revenues.
The payment of the debt service of all the Bonds shall be

secured forthwith equally and ratably by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net 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 Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 2.07. Form of Bonds and Coupons. Subject to the provisions of this resolution, the text of the 1970 Bonds, the provisions for registration to be endorsed thereon, the coupons, the single 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 by this resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Coupon Bonds)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1970

No.

\$1,000

DANESE PUBLIC SERVICE DISTRICT, a public service district in the County of Fayette, State of West Virginia, and a public corporation and political subdivision of the State of West Virginia (herein called the "District"), for value received, hereby promises to pay to the bearer, or, if this Bond be registered, to the registered holder as herein provided, on the first day of January, , from the revenues hereinafter mentioned, the principal sum of

ONE THOUSAND DOLLARS

with interest thereon at the rate of _____ per centum (%) per annum, payable on the first day of January of each year, upon the presentation and surrender of the annexed coupons as they severally fall due, unless this Bond be converted into a Bond registered as to both principal and interest. Both principal of and interest on this Bond are payable in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York.

The Bonds of the issue of which this Bond is one may be redeemed prior to their stated maturities, without premium, at the option of the District as a whole, or in part in inverse numerical order, on any January 1 beginning January 1, 1981, as provided in the resolution hereinafter mentioned, subject to earlier redemption from moneys in the

Project Construction Account as provided in said resolution. Notice of any such redemption shall be published at least once not less than thirty nor more than sixty days prior to the redemption date in a financial newspaper published in the City of New York, New York. Interest shall cease upon this Bond after the date fixed for redemption if it shall be duly called for prior redemption and payment thereof duly provided for.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of Two Hundred Seventy-Five Thousand Dollars (\$275,000) of like date, tenor and effect, except as to number* and date of maturity issued to finance part of the cost of the construction of a waterworks system of the District under the authority of and in full compliance with the Constitution and Statutes of the State of West Virginia, including particularly Article 13A, Chapter 16 of the West Virginia Code (herein called the "Act") and other applicable statutes, and a resolution duly adopted by the Public Service Board of the District.

This Bond and the coupons appertaining hereto are payable solely from, and secured by a first lien on and pledge of, the net revenues derived from the operation of said waterworks system, with monthly payments from such revenues to be made into the Sinking Fund with the State Sinking Fund Commission for payment of the principal hereof and interest hereon, in the manner provided in said resolution, and do not and shall not in any event constitute an indebtedness of the District within the meaning of any constitutional or statutory limitations, and the District shall never be obligated to pay this Bond or the interest hereon except from the revenues of said waterworks system, as provided in said resolution. The District covenants

* add, "interest rate" if more than one rate

with the holders of the Bonds of the issue of which this Bond is one to establish and at all times maintain such rates and collect such charges for the services and facilities of said waterworks system, and to revise the same from time to time, whenever necessary, as will always provide revenues in each fiscal year sufficient to make the required payments into the Sinking Fund and the reserves and accounts as provided in said resolution and to pay all necessary expenses of operating and maintaining the said waterworks system during such fiscal year, and the District has entered into certain other covenants with the holders of the Bonds of the issue of which this Bond is one, for the terms of which reference is made to said resolution.

Additional Bonds on a parity with this Bond and the Bonds of the issue of which this Bond is one, as to lien and source of and security for payment, may be issued under the provisions and restrictions contained in said resolution.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in regular and due form, time and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Bond and of the issue of Bonds of which this Bond is one is not in violation of any constitutional or statutory limitation of indebtedness.

This Bond, under the provisions of the Act, is, and has all the qualities and incidents of, a negotiable instrument.

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

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by the Chairman of its Public
Service Board and its corporate seal to be affixed hereto
and attested by the Secretary of said Board, and the annexed
coupons to be executed with the facsimile signatures of said
Chairman and said Secretary, all as of the _____ day of
_____, 1970.

DANESE PUBLIC SERVICE DISTRICT

By _____
Chairman of its Public
Service Board

ATTEST:

(SEAL)

Secretary of its Public Service Board

(Form of Coupon)

§

On the first day of January, 19 , unless the Bond to which this coupon was originally attached shall have been callable and duly called for prior redemption and payment of the redemption price duly made or provided for, Danese Public Service District, in Fayette County, West Virginia, will pay to the bearer at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York, solely from the revenues described in the Bond to which this coupon is attached, the sum shown hereon in lawful money of the United States of America, upon presentation and surrender of this coupon, being the interest then due on its Water System Revenue Bond, Series 1970, No. .

DANESE PUBLIC SERVICE DISTRICT

By (facsimile signature)
Chairman, Public Service Board

ATTEST:

(facsimile signature)
Secretary, Public Service Board

CERTIFICATE OF CONVERSION

It is hereby certified over my signature and the official seal of the issuing Public Service District that upon the presentation of the within bond with a written request by the holder thereof for its conversion into a bond registered as to both principal and interest, there have been this day cut off and destroyed _____ interest coupons attached thereto, of the amount and value of _____ each, being all the coupons for interest on the within Bond payable after the date of this certificate, and that the interest at the rate and on the dates stated in the within bond and as was provided by the coupons, as well as the principal, is to be paid to the registered holder hereof, his legal representatives, successors or transferees, at the place stated in the within bond and as was stated in the coupons. The principal of and interest on this Bond shall be payable only to the registered holder hereof named in the registration blank below, or his legal representative, and this Bond shall be transferable only on the books of the registrar kept in the office of the undersigned, and by an appropriate notation in such registration blank. When registered the registrar shall treat the registered owner as the person exclusively entitled to payment of interest and the exercise of all other rights and powers of the owner prior to due presentment for registration of transfer.

Dated: _____, 19____.

_____, Registrar

(SEAL OF PUBLIC SERVICE DISTRICT)

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasurer of Public Service District as Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Form of Single Bond)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1970

No. R-1

\$275,000

DANESE PUBLIC SERVICE DISTRICT, a public service district (herein sometimes called the "District") in the County of Fayette, State of West Virginia, a lawfully created and existing public corporation and political subdivision of the State of West Virginia, for value received, hereby promises to pay to the Registered Holder of this Bond the principal sum of Two Hundred Seventy-Five Thousand Dollars (\$275,000), on the first day of January in years and installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 2,000	1986	\$ 5,000	1999	\$ 9,000
1974	2,000	1987	5,000	2000	9,000
1975	3,000	1988	6,000	2001	10,000
1976	3,000	1989	6,000	2002	10,000
1977	3,000	1990	6,000	2003	11,000
1978	3,000	1991	6,000	2004	11,000
1979	3,000	1992	7,000	2005	12,000
1980	4,000	1993	7,000	2006	13,000
1981	4,000	1994	7,000	2007	14,000
1982	4,000	1995	7,000	2008	14,000
1983	4,000	1996	8,000	2009	15,000
1984	5,000	1997	8,000	2010	16,000
1985	5,000	1998	8,000		

and to pay interest from the date hereof on the balance of said principal sum from time to time remaining unpaid at the rate of 5% per annum on January 1 of each year, commencing January 1, 1971 until the principal amount hereof has been paid, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America. Payments of the installments of principal hereof and interest hereon shall be made to the registered holder hereof at the address shown on the books of the Registrar. Payments of installments

hereof, including prepayments of installments, shall fully discharge the obligation of the District herein to the extent of the payments so made. Upon payment in full of the principal hereof and interest thereon, this Bond shall be surrendered to the District for cancellation.

This Bond, designated the "Danese Public Service District Water System Revenue Bond, Series 1970" (herein called the "Bond"), representing this entire issue of Danese Public Service District Water System Revenue Bonds, Series 1970, together with any additional bonds ranking on a parity herewith which may be issued and outstanding under the provisions, conditions and restrictions set forth in a Resolution duly adopted by the Public Service Board of the District for the purpose of providing funds for financing part of the costs of construction and acquisition of a waterworks system of the District, is payable only from the revenues to be derived from the operation of the waterworks system after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks system (such revenues being herein referred to as "Net Operating Income"). A sufficient portion of the Net Operating Income has been ordered set aside in the Sinking Fund established by the Resolution and pledged for that purpose. This Bond does not in any manner constitute an indebtedness of the District within the meaning of any constitutional or statutory limitation. The District covenants that it will fix such rates and charges for the services of its waterworks system and collect and account for revenues therefrom sufficient to pay promptly all costs of operation and maintenance thereof and the principal of and interest on this Bond as the same shall become due and to make the required payments into other funds, accounts and reserves as provided in the Resolution.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

As provided in the Resolution, this Bond is exchangeable at any time, upon ninety days' notice, at the request of the Registered Holder hereof and upon surrender of this Bond to the District, for negotiable coupon Bonds, payable to bearer, convertible into bonds registered as to principal and interest, in an aggregate principal amount equal to the unpaid principal amount of this Bond, and in the form of coupon Bond provided in the Resolution.

Prepayment Provisions: In addition to the installments of principal and interest required to be paid by the District as hereinabove set forth, the District shall have the right to prepay on January 1, 1981, and on any January 1 thereafter, the entire principal amount hereof then remaining unpaid, or such lesser portion thereof as it may determine upon, in inverse chronological order of installments and in multiples of \$1,000 plus accrued interest on the amount of the principal prepayment to the date of prepayment.

Notice of any such optional prepayment shall be given by the District at least thirty days prior to the prepayment date by sending by registered or certified mail to the Registered Holder hereof a notice fixing such prepayment date and the amount to be prepaid.

A statutory mortgage lien upon the waterworks system of the District is created by the Act in favor of the Registered Holder of this Bond, which lien is hereby recognized as valid and binding and shall remain in effect until the payment in full of the principal of and interest on this Bond.

This Bond is exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

This Bond may be assigned, and upon such assignment the assignor shall promptly notify the District by registered mail and the assignee shall present the same to the District for appropriate change in registration subject to verification of the portion of the principal amount hereof and interest hereon paid or prepaid, and every such assignee shall take this Bond subject to such conditions.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, that the amount of this Bond, together with all other obligations of the District, does not exceed any limits prescribed by the Constitution and statutes of the State of West Virginia, and that a sufficient portion of the Net Operating Income of the waterworks system of the District has been pledged to and will be set aside into the Sinking Fund for the prompt payment of the installments of the principal of and interest on this Bond.

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereto affixed and attested by the Secretary of said Board, all as of the _____ day of _____, 1970.

DANESE PUBLIC SERVICE DISTRICT

(CORPORATE SEAL)

By Chairman of its Public Service Board

(ATTEST:

Secretary of its Public Service Board

This Bond is registered as follows:

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasure of Public Service District as Registra</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

ARTICLE III
BOND PROCEEDS; REVENUES AND
APPLICATION THEREOF

Section 3.01. Bond Proceeds; Project Construction Account. All moneys received from the sale of any or all the 1970 Bonds and the proceeds of the aforesaid Federal grant shall be deposited on receipt by the District in

West Virginia, a member of Federal Deposit Insurance Corporation, in a special account heretofore created and designated as "Danese Public Service District Construction Account" (herein called the "Project Construction Account".) The moneys in the Project Construction Account in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured at all times by such 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 District solely for the purposes provided in this resolution.

Moneys received upon delivery of the 1970 Bonds representing accrued interest will be immediately transferred to and deposited in the Sinking Fund.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and deposit in the Sinking Fund, not later than fifteen days prior to the next interest payment date, such sums as shall be from time to time required to pay the interest becoming due on the Bonds on such interest payment date.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the District may invest such excess funds in direct obligations of, or obligations the principal of and

interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When 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 first be used to refund promptly any overpayment made with respect to the aforesaid Federal grant, and any moneys then remaining in the Project Construction Account shall be promptly used to redeem or prepay the latest maturing 1970 Bonds and any residue shall be deposited in the Sinking Fund.

Section 3.02. Covenants of the District as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund and Reserve Account therein, hereinafter established, a sum sufficient to pay, when due or at the earliest practical redemption date, the entire principal of the Bonds remaining unpaid together with interest accrued and to accrue thereon, the District further covenants with the holders of any and all Bonds issued pursuant to this resolution 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 District in a special fund in a bank or trust company in the State of West Virginia which is a member of the Federal Deposit Insurance Corporation, which Fund (herein called the "Revenue Fund") is hereby established initially with said

The Revenue Fund shall constitute a trust fund for the purposes provided in this resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this resolution.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The District shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses of the System.

(2) The District shall next, before the end of each month, transfer from the Revenue Fund and remit to the State Sinking Fund Commission, for deposit into the "Sinking Fund", which is hereby established with the State Sinking Fund Commission, one-twelfth of the amount required to pay the interest becoming due on the Bonds on the next interest payment date and, commencing with the month of January, 1972, one-twelfth of the amount of principal maturing on the next Bond principal maturity date.

The District shall also remit to the State Sinking Fund Commission, from time to time, such amounts as shall be required to pay the fiscal charges due to paying agents for paying the Bonds and the interest thereon.

(3) The District shall next, each month, transfer from the Revenue Fund and remit to the State Sinking Fund Commission, for deposit into the Reserve Account, hereby established in the Sinking Fund, one-twelfth of one-tenth of the maximum annual aggregate amount of interest and principal which will fall due on the Bonds outstanding until the amount in the Reserve Account equals such maximum annual aggregate amount of interest and principal. After such amount has been accumulated in the Reserve Account, the District shall monthly remit to the State Sinking Fund Commission such part of the moneys remaining in the Revenue Fund, after such provision for payment of maturing principal of and interest on the Bonds, as shall be required to maintain such amount in the Reserve Account. Moneys in the Reserve Account shall be used solely to make up any deficiency in the Sinking Fund for payment of the principal of and interest on the Bonds as the same shall mature or for mandatory redemption of Bonds as hereinafter provided and for no other purpose.

(4) The District shall next, each month, transfer from the Revenue Fund and remit to the State Sinking Fund Commission the moneys remaining in the Revenue Fund and not permitted to be retained therein, for deposit in the Depreciation Reserve, hereby established with the State Sinking Fund Commission, until there has been accumulated therein the sum of \$15,000 and thereafter, such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies in the Sinking Fund for payment of principal of and interest on the Bonds as the same mature, and next to restore to the Reserve Account any sum or sums transferred therefrom to the Sinking Fund. Thereafter, and provided that payments into the Sinking Fund and the Reserve Account therein are current and in

accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the District and used for extensions, replacements and improvements of the System, or any part thereof.

(5) 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 redeem Bonds outstanding or for any lawful purpose, the State Sinking Fund Commission to handle redemptions of Bonds.

Whenever the moneys in the Sinking Fund and in the Reserve Account therein shall be sufficient to purchase or redeem all Bonds outstanding, it shall be the mandatory duty of the District, anything to the contrary in this resolution notwithstanding, to direct the State Sinking Fund Commission to purchase or redeem all outstanding Bonds at the earliest practical date and in accordance with applicable provisions hereof, any such purchase to be at a price or prices not exceeding the then market price of Bonds so purchased, but in no event exceeding the then redemption price of the Bonds.

The State Sinking Fund Commission is hereby designated as the Fiscal Agent for the administration of the Sinking Fund, the Reserve Account and the Depreciation Reserve as herein provided, and all amounts required therefor will be remitted to the State Sinking Fund Commission from the Revenue Fund by the District at the times provided herein, together with written advice stating the amount remitted for deposit into each such account.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the

Bondholders shall have a lien thereon for further securing payment of the Bonds and the interest thereon. The moneys in excess of the sum insured by the Federal Deposit Insurance Corporation in the Revenue Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of State and municipal funds under the laws of the State of West Virginia.

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

The State Sinking Fund Commission shall keep the moneys in the Sinking Fund, the Reserve Account and the Depreciation Reserve invested and reinvested to the fullest extent practicable in direct obligations of, or obligations the payment of the principal of and interest on which are guaranteed by, the United States of America and having maturities not exceeding two years.

(c) Initial Deposits in Revenue Fund and Reserve Account. Prior to issuance of the 1970 Bonds, the District shall collect tap fees from at least 266 prospective customers, in the aggregate sum of \$5,320, which will be used to establish the Revenue Fund.

ARTICLE IV
GENERAL COVENANTS

Section 4.01. General Statement. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund and the Reserve Account therein a sum sufficient to pay when due, or redeem or purchase prior to maturity, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon and any applicable redemption premiums, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the District and the Bondholders.

Section 4.02. Rates. The District will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than 110% of the average annual debt service on all Bonds outstanding and to make the payments required herein into the Sinking Fund, the Reserve Account and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 4.03. Sale of the System. The System may be sold, mortgaged, leased, or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully

to pay all the Bonds and the interest thereon as herein provided. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the State Sinking Fund Commission and the District shall direct said Commission to apply such proceeds to the payment of principal and interest of the Bonds at the redemption price, as herein provided, or upon purchase at the then current market price not exceeding the par value thereof plus accrued interest to the date of purchase. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the District by the State Sinking Fund Commission unless necessary for the payment of other obligations issued by the District and payable out of the revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof, provided that the net book value thereof does not exceed \$5,000. Prior to any such sale, lease or other disposition of said property, the general manager or other duly authorized officer in charge of the System shall make a finding in writing, concurred in by resolution of the Board, determining that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and such proceeds shall be deposited in the Depreciation Reserve.

Payments of such proceeds into the Depreciation Reserve shall not reduce the amounts required to be paid into the Depreciation Reserve by other provisions of this resolution.

7

Section 4.04. Covenant Against Encumbrances. The District shall not issue any obligations whatsoever, except additional parity Bonds hereinafter provided for, payable from the revenues of the System which rank prior to or equally as to lien on and source of and security for payment from such revenues with the Bonds; and all obligations hereafter issued by the District payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues, and in all other respects, to the Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge, having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged as security therefor in this resolution, or upon the System, or any part thereof.

Section 4.05. Issuance of Additional Parity Bonds. No additional parity Bonds, as in this Section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this resolution, except under the conditions and in the manner herein provided.

(A) No such additional parity Bonds shall be issued except for the purposes of financing the costs of the construction or acquisition of extensions, additions and improvements to the System or refunding Bonds issued hereunder, except as provided in subsection (G) of this Section.

(B) No such additional parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written certification by a certified public accountant not in the regular employ of the District, based upon the necessary investigation, reciting the conclusion that the net revenues, as defined herein and adjusted as provided below, actually derived from the System during the fiscal year immediately preceding the date of the issuance of such additional parity Bonds, shall have been not less than one hundred twenty per centum (120%) of the average aggregate amount which will mature or become due in any succeeding fiscal year for principal of and interest on the Bonds originally issued pursuant to this resolution then outstanding, and on any additional parity Bonds theretofore issued pursuant to the provisions contained in this resolution then outstanding, and on the additional parity Bonds then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing 75% of each Series of the then outstanding Bonds issued pursuant hereto.

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

(D) The term "additional parity Bonds", as used in this Section, shall be deemed to mean additional Bonds issued under the provisions and within the limitations of this Section, payable from the revenues of the System on a parity with Bonds originally authorized and issued pursuant to this resolution, and all the covenants and other provisions of this resolution (except as to details of such additional

parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the holders of any Bonds originally authorized and issued pursuant to this resolution and the holders of any additional parity Bonds subsequently issued within the limitations of and in compliance with this Section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System, and their source of and security for payment from said revenues, without preference of any Bond or coupon over any other. The District shall comply fully with all the increased payments into the various funds created in this resolution required for such additional parity Bonds, in addition to the payments required for Bonds originally issued hereunder. Redemption of Bonds prior to maturity, in the event that Bonds originally issued hereunder and additional parity Bonds hereby authorized are outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each issue.

(E) All additional parity Bonds issued pursuant to this Section shall mature on January 1 of each year of maturity, and the interest thereon shall be payable January 1 of each year.

(F) No additional parity Bonds shall be issued at any time unless all the payments into the respective Funds provided for in this resolution on Bonds then outstanding and all other payments provided for in this resolution shall have been made or paid up as required to the date of issuance of the additional parity Bonds and the District shall have fully complied with all the covenants, agreements and terms of this resolution or shall have remedied any deficiency in such compliance.

(G) With the written consent in advance of the original purchaser of the Bonds originally authorized by this resolution and anything to the contrary in subsections (A), (B) and (C) of this Section notwithstanding, additional parity Bonds may be authorized and issued by the District pursuant to supplemental resolution in the event that the Bonds hereby originally authorized and issued should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Project. Any such additional parity Bonds authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such additional parity Bonds shall be in years and amounts suggested by said original purchaser.

Section 4.06. Insurance and Bonds. The District hereby covenants and agrees that so long as any of the Bonds remain outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(b) Public Liability Insurance, with limits of not less than \$100,000 for one person and \$300,000 for more than one person injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than \$50,000 from claims for damage to property of others which may arise from the District's operation of the System, such insurance to be procured at the commencement of construction of the Project.

(c) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District, with limits of not less than \$100,000 for one person and \$300,000 for more than one person injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than \$50,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(d) Workmen's 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 contractor and subcontractor, and such payment bonds will be filed with the Clerk of the County Court of County named above prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(e) Fidelity Bonds will be provided as to every member of the Board and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the District 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 \$20,000, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned.

(f) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Government holds any of the Bonds, the District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 4.07. Statutory Mortgage. For the further protection of the holders of the Bonds and the coupons appertaining thereto, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of any of the Bonds.

Section 4.08. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of the principal, and, if any premium be due, of such premium, of any of the Bonds either at the date therein specified for their payment or by proceedings for redemption or otherwise;

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

(C) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on

the part of the District in the Bonds or in this resolution, or violation of or failure to observe any provision of any pertinent law, provided any such failure or violation, excluding those covered in (A) and (B) above in this Section, shall continue for a period of thirty days after written notice shall have been given to the District by any Bondholder specifying such failure or violation and requiring the same to be remedied.

Section 4.09. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, any Bondholder may proceed to protect and enforce the rights of the Bondholders 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 such Bondholder, such court may, upon proof of such default, appoint a receiver for the affairs of the District and the System. The receiver so appointed shall administer the System on behalf of the District, shall exercise all the rights and powers of the District with respect to its System and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 4.10. No Priority Between Bonds. The Bonds shall not be entitled to priority one over the other in the application of the revenues of the System or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds, regardless of the fact that they may be actually issued and delivered at different times.

Section 4.11. Fiscal Year; Budget. While any 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 forty-five days prior to the beginning of each fiscal year, the District agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Board. Copies of each Annual Budget shall be mailed to the Government, to the original purchaser of the Bonds and to those Bondholders who shall have filed their names and addresses with the Secretary of the Board for such purpose.

If for any reason the District shall not have adopted the Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten per centum; 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 District. Each such Budget of Current Expenses shall be mailed immediately as in the case of the Annual Budget.

Section 4.12. Compensation of Board Members. The District hereby covenants and agrees that no compensation for policy direction shall be paid to the members of its

Board in excess of the amount permitted by the Act. Payment of any compensation to any member of the Board for policy direction shall not be made if such payment would cause the Net Operating Income 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 of this resolution.

Section 4.13. Covenant to Proceed. The District hereby covenants to proceed as promptly as possible with the construction of the Project in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary of the Board on the date of adoption of this resolution.

Section 4.14. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any holder of a Bond or Bonds, his agents and representatives, shall have the right at all reasonable times to inspect the System and all records, accounts and data of the District relating thereto.

The District 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, shall mail a copy of such audit report to the Government and the original purchaser of the Bonds, and shall make available the report of said accountants at all reasonable times to any holder or holders of the Bonds, or any customer receiving services from the System, or anyone acting for and in behalf of such Bondholder, Bondholders or customer.

Section 4.15. Maintenance of System. The District 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 any of the Bonds are outstanding.

ARTICLE V

RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System shall be as follows:

AVAILABILITY OF SERVICE

Available for all domestic, commercial, institutional and industrial consumers within the District's service area.

WATER RATES AND MINIMUM CHARGES

<u>Gallons per Month</u>	<u>Monthly Charge per 1000 Gallons</u>
First 3,000	\$ 2.33
Next 7,000	1.60
Next 10,000	1.20
All Over 20,000	.90

MINIMUM MONTHLY CHARGES AND TAP FEES

<u>Meter Size (Inches)</u>	<u>Monthly Minimum Charge</u>
5/8 x 3/4	\$ 7.00
3/4	10.80
1	18.00
1 1/4	29.20
1 1/2	40.40
2	71.70
3	161.30
4	286.80

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. When such fees, rates and charges have been delinquent for thirty days, the District shall have power forthwith to foreclose the lien on the

premises served in the same manner provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

D. The District 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 District 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 District 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. No allowance or adjustment in any bill for use of the services and facilities of the System shall be made for any leakage occurring on the customer's side of any water meter.

G. The District shall not be liable to any customer for any damage resulting from bursting or breakage of any line, main, pipe, valve, equipment or part or from discontinuance of the operation of any part of the System or from failure of any part thereof for any cause whatsoever.

H. In case of emergency, the District shall have the right to restrict the use of any part of the System in

any reasonable manner for the protection of the System and the inhabitants of the District.

In addition, the following shall constitute a part of the above rates:

DELAYED PAYMENT PENALTY

The above rates are net. On all accounts not paid in full within ten (10) days after date of billing, ten percent (10%) will be added to the net amount of the bill.

If any bill is not paid within thirty (30) days of the date thereof, the bill will be considered delinquent and subject to disconnection. However, service shall not be disconnected to any customer for nonpayment of bill without first having diligently tried to induce the customer to pay the same and until after at least twenty-four (24) hours written notice to the customer. Service shall not be restored until all amounts in arrears, including accrued penalties, plus a reconnection fee of \$5.00 have been paid.

MULTIPLE OCCUPANCY

On apartment buildings, or other multiple occupancy buildings, or house trailer courts or parks, each unit shall be required to pay not less than the minimum monthly charge herein established. Motels and hotels shall be exempt from this charge.

CONNECTION FEE

A connection fee will be charged according to the following schedule:

	<u>Before Loan Closing</u>	<u>After Loan Closing</u>
5/8 inch x 3/4 inch meter	\$ 20.00	\$ 100.00
3/4 inch meter	30.00	100.00
1 inch meter	50.00	100.00
1 1/4 inch meter	80.00	100.00
1 1/2 inch meter or larger	100.00	100.00

I. The fees, rates and charges above provided will be increased whenever such increase is necessary in order to comply fully with all provisions of this resolution and the District shall always be obligated to and shall fix, establish and collect fees, rates and charges for the services and facilities of the System which shall at all times be sufficient to provide net revenues to meet its obligations hereunder, but not less than 110% of the average annual debt service on all Bonds outstanding.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bonds, the District shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter, shall file such a Financing Statement in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Court of Fayette County. Thereafter, the Chairman of the Board shall file such Continuation Statements and other documents as may be necessary to maintain the security interest created hereby.

Section 6.02. Modification or Amendment. No material modification or amendment of this resolution, or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the holders of two-thirds or more in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of any of the Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation, or affecting the unconditional promise of the District to pay the principal of and interest on the Bonds as the same shall become due from the revenues of the System, without the consent of the holders of such Bonds. Notwithstanding the above, no amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications and for consent of 75% of the holders of each Series of Bonds outstanding to waiver or modification of the limitation upon issuance of additional parity Bonds contained in Section 4.05B.

Section 6.03. Sale of Bonds. The Secretary of the Board is hereby authorized and directed to cause notice for bids for the purchase of the 1970 Bonds to be published at least twice, the second publication to be not less than fifteen days prior to the date fixed for the receipt of bids, in a newspaper published and of general circulation in Fayette County with at least one week intervening between publications, by additional publication at least once in a newspaper having state-wide circulation at least twenty days prior to the date fixed for the receipt of bids and by mailing copies of the Official Notice of Sale, at least twenty days prior to the date fixed for the receipt of bids, to all area banks having municipal bond departments and all area investment banking firms and all other parties in the area that, in the information of said Secretary, might be interested in the issue.

Section 6.04. Refunding of Bonds Permitted. The District reserves the right to refund the Bonds when in its judgment it would be to the best interests of the District and of its inhabitants so to do. Upon payment of all the Bonds outstanding, prior to or simultaneously with the issuance of any refunding bonds or of an issue of bonds for the purposes of refunding the Bonds then outstanding and providing funds for additions, extensions and improvements to the System, or upon provision for such payment by deposit irrevocably in trust, with the State Sinking Fund Commission of West Virginia, of a sum equal to the principal amount of the Bonds outstanding, plus an amount equal to all interest accrued and to accrue to the date of payment or redemption of such Bonds, and plus an amount sufficient to pay all applicable redemption premiums on the earliest practicable redemption date, the security,

pledge and any lien applicable to the Bonds then outstanding shall immediately cease and determine. The sum so deposited in trust shall be used solely to pay at the earliest practical redemption date the principal amount of the Bonds and all interest thereon to the date of redemption and any applicable redemption premiums, or to purchase Bonds at not to exceed the par value of the Bonds plus interest accrued to date of purchase. The moneys so deposited may be invested by the State Sinking Fund Commission in direct obligations of the United States of America or obligations the payment of the principal of and interest on which is guaranteed by the United States of America, having maturities not later than the dates on which the moneys shall be required to be used for such redemption.

Section 6.05. Severability of Invalid Provision.

If any one or more of the covenants, agreements or provisions of this resolution 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 separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this resolution or the Bonds or coupons appertaining thereto.

Section 6.06. Conflicting Provisions Repealed.

All resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflicts, hereby repealed.

Section 6.07. 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 6.08. Effective Time. This resolution shall take effect immediately upon its adoption.

Adopted _____, 1970.

Chairman of Public Service Board

Member

Member

DANESE PUBLIC SERVICE DISTRICT

RESOLUTION ORDERING AND AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONAL WATER FACILITIES OF DANESE PUBLIC SERVICE DISTRICT AND THE ISSUANCE OF WATER REVENUE BONDS, SERIES 1971, ON A PARITY WITH THE WATER REVENUE BONDS OF THE DISTRICT DATED APRIL 28, 1970

WHEREAS, Danese Public Service District in Fayette County, West Virginia, has heretofore been duly created and is now organized and operating as a public corporation and a political subdivision of the State of West Virginia under the provisions of Article 13A of Chapter 16 of the Official West Virginia Code of 1931, as amended and supplemented (herein called the "Act"), and the Public Service Board of said District has heretofore been organized and is now functioning as the governing body of said District, having the duties, powers and authority as provided by the Act; and

WHEREAS, the Public Service Board of the District has heretofore authorized and constructed water facilities within the District to supply water for industrial, public and private uses within the District and has heretofore financed the same by issuance of the Water Revenue Bonds of the District dated April 28, 1970, in the aggregate principal amount of \$275,000, in the denomination of \$1,000 each, numbered 1 to 275, inclusive, bearing interest at the rate of 5% per annum, maturing serially, in numerical order, in the years 1972 to 2010, inclusive (herein called the "1970 Bonds"), as provided in the resolution of said Board adopted April 10, 1970 (herein called the "1970 Resolution"); and

WHEREAS, under the provisions of the Act and the

1970 Resolution as hereinafter amended, the District is authorized and empowered to construct and operate additions, extensions and improvements to said water facilities and to issue additional bonds on a parity with the 1970 Bonds; and

WHEREAS, this Board now desires to authorize the acquisition and construction of additional water facilities and to provide for the financing thereof by the issuance of additional bonds on a parity with the 1970 Bonds as hereinafter provided;

NOW, THEREFORE, be it and it is hereby resolved by the Public Service Board of Danese Public Service District:

ARTICLE I
FINDINGS, PROVISIONS AS TO 1970
RESOLUTION AND DEFINITIONS

Section 1.1. Findings. It is hereby found to be necessary and essential that Danese Public Service District (herein called the "District"), construct and acquire additions, extensions and improvements for the water facilities owned by the District, briefly described as the acquisition, construction and installation of additional water mains and lines, with necessary appurtenant facilities, to serve additional customers along such additions and extensions, all in accordance with, and more particularly described in the plans and specifications therefor prepared by H. P. Thomas, Consulting Engineer, of Oak Hill, West Virginia, now on file with the Secretary of the Board, at the estimated cost of \$73,000 (herein called the "Project"). Such cost shall include the cost of acquisition, construction and installation of said extension, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Bonds for temporary construction financing prior to, during and for six months after completion of the construction, acquisition and installation hereby authorized; fees and expenses of engineers, fiscal agents and attorneys; expenses for estimates of cost and of revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, as hereinabove defined, administrative expenses and such other expenses as may be necessary or incident to the financing hereby authorized and the construction, acquisition and placing in operation of the Project (all such costs being herein called "Project Costs").

Section 1.2. 1970 Resolution Applies. The Bonds hereby authorized as hereinafter provided, shall be on a parity with the 1970 Bonds. Accordingly, the 1970 Resolution is hereby incorporated herein by reference and shall be read as a part hereof, subject to the provisions hereof as to the Project and as to the details of the 1971 Bonds as herein provided.

Section 1.3. Definitions. All terms used in this Resolution shall have the same meanings as defined in the 1970 Resolution unless otherwise expressly provided. The following terms, as used herein, shall have the following meanings:

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

"1970 Bonds" means the Water Revenue Bonds of the District dated April 28, 1970, and as described in the preambles hereof and the interest coupons appertaining thereto.

"1971 Bonds" means the Water Revenue Bonds, Series 1971, of the District hereby authorized and the interest coupons appertaining thereto.

"Project" means the additions, extensions and improvements of the water facilities of the District hereby authorized and all necessary appurtenant facilities in connection therewith.

"Project Costs" means all costs as hereinabove defined of the Project.

"Bonds" means collectively the Water Revenue Bonds, Series 1971, in the aggregate principal amount of \$73,000 hereby authorized and the 1970 Bonds.

"1970 Resolution" means the Bond Authorizing Resolution adopted by the Public Service Board of the District on April 10, 1970, authorizing issuance of the 1970 Bonds.

ARTICLE II

COMPLIANCE WITH 1970 RESOLUTION FOR
ISSUANCE OF ADDITIONAL PARITY BONDS

Section 2.1. Statement of Compliance. The Board hereby declares and certifies that all requirements and provisions for the issuance of additional parity bonds as set out in Section 4.05 of the 1970 Resolution have been accomplished, completed and complied with, including, but not limited to, the following:

(A) The 1971 Bonds are to be issued for the purpose of financing the costs of construction or acquisition of extensions, additions and improvements of the System.

(B) The requirement of Section 4.05(B) of the 1970 Resolution has been waived by the written consent of the United States of America, Farmers Home Administration, the holder of 100% of the 1970 Bonds, which written consent has been filed with the Secretary of the Board.

(C) The District has entered into written contracts for the immediate acquisition or construction of the additions, extensions or improvements to the System which are to be financed by the additional parity Bonds.

(D) The District covenants and agrees that it will comply fully with all the increased payments into the various funds as required by the issuance of additional parity Bonds.

(E) The District has made all the payments into the respective funds as provided for in the 1970 Resolution, and all other payments provided for therein have been or will be made as required to the date of issuance of the additional parity Bonds, and the District has and will continue to comply fully with all the covenants, agreements and terms of the 1970 Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS

Section 3.1. Authorization of Bonds. Subject and pursuant to the provisions of this resolution, Bonds of the District, to be known as "Water System Revenue Bonds, Series 1971" are hereby authorized to be issued in the aggregate principal amount of not exceeding Seventy-Three Thousand Dollars (\$73,000) for the purpose of financing part of the cost of the construction and acquisition of the Project.

Section 3.2. Description of Bonds. The 1971 Bonds may be issued in coupon or single, fully registered form, and shall be dated on the date of delivery. The 1971 coupon Bonds shall be in the denomination of \$1,000 each, shall be numbered in order of maturity, lowest number first, and shall bear interest, payable annually on January 1 of each year, at the rate or rates of not to exceed the rate of five per centum (5%) per annum and a net interest cost of not to exceed the rate of five per centum (5%) per annum. The minimum price for the 1971 Bonds shall be the par value thereof. Coupon and single, fully registered 1971 Bonds shall be exchangeable and interchangeable at the expense of the holder on 90 days notice in writing to the District, provided that single, fully registered 1971 Bonds issued upon initial delivery of the 1971 Bonds by the District shall be exchanged for coupon Bonds at the expense of the District.

The 1971 Bonds shall mature serially in numerical order, lowest numbers first, on January 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 1,000	1986	\$ 1,000	1999	\$ 2,000
1974	1,000	1987	1,000	2000	2,000
1975	1,000	1988	1,000	2001	2,000
1976	1,000	1989	1,000	2002	3,000
1977	1,000	1990	1,000	2003	3,000
1978	1,000	1991	1,000	2004	3,000
1979	1,000	1992	2,000	2005	3,000
1980	1,000	1993	2,000	2006	3,000
1981	1,000	1994	2,000	2007	3,000
1982	1,000	1995	2,000	2008	4,000
1983	1,000	1996	2,000	2009	4,000
1984	1,000	1997	2,000	2010	4,000
1985	1,000	1998	2,000	2011	4,000

The 1971 Bonds shall be redeemable prior to their respective stated dates of maturity at the option of the District, in whole or in part, in inverse numerical order on January 1, 1981, and on any January 1 thereafter at the price of the par value thereof and accrued interest to the date of redemption, subject to earlier redemption as provided herein or in the 1970 Resolution.

Any redemption of the 1971 Bonds shall, to the extent feasible, be on the basis of one Bond of this series to four 1970 Bonds redeemed, such being, as nearly as may be, equal pro rata redemption of the 1970 Bonds and the 1971 Bonds with relation to the amount of the original issue of each series.

Notice of the redemption of any of the Bonds shall be published at least once not less than thirty nor more than sixty days prior to the date of redemption in a financial newspaper published in the City of New York, New York, and notice of any such redemption shall be sent by registered or certified mail to the holders of registered Bonds. If all Bonds to be redeemed are registered other than to bearer, no publication of such redemption need be made. Interest shall cease upon any of the Bonds so called for prior redemption on the date fixed for redemption, provided payment thereof has been

duly made or provided for.

The 1971 Bonds shall be payable with respect to both principal and interest in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or at First National City Bank, New York, New York, at the option of the holder unless otherwise provided in and for the single, fully registered Bonds, and shall bear interest from their date, payable in accordance with and, as to coupon Bonds not registered as to interest, upon the surrender of the appurtenant interest coupons as they severally mature.

Section 3.3. Execution of 1971 Bonds and Coupons.

The 1971 Bonds shall be executed in the name of the District 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 any of the 1971 Bonds shall cease to be such officer before the 1971 Bonds so signed and sealed shall have been actually sold and delivered, such 1971 Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bond such person may not have held such office or may not have been so authorized.

The coupons to be attached to the 1971 Bonds shall be authenticated with the facsimile signatures of the present or any future Chairman and Secretary, and the District may adopt and use for that purpose the facsimile signature of any person who shall have been such Chairman or Secretary

at the time when said Bonds shall be actually sold and delivered.

Section 3.4. Negotiability and Registration.

The coupon Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of West Virginia and shall pass by delivery except when registered. The 1971 coupon Bonds may be converted into Bonds registered as to both principal and interest in accordance with the provisions of the forms hereinafter provided.

Section 3.5. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond with all unmatured coupons attached of like tenor as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may require. All Bonds and coupons so surrendered shall be canceled and held for the account of the District. If any such Bond or coupon shall have matured or be about to mature, instead of issuing a substitute Bond or coupon, the District may pay the same, upon being indemnified as aforesaid, and, if such Bond or coupon be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bonds and coupon issued pursuant to this Section shall constitute original, additional

contractual obligations on the part of the District, whether or not the destroyed, stolen or lost Bonds or coupons be at any time found by anyone, and such duplicate Bonds and coupons shall be entitled to equal and proportionate benefits with all other Bonds and coupons issued hereunder.

Section 3.6. Bonds Secured by Pledge of Revenues.

The payment of the debt service of all the 1971 and the 1970 Bonds shall be secured forthwith equally and ratably by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net 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 Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.7. Form of Bonds and Coupons. Subject to the provisions of this resolution, the text of the 1971 Bonds, the provisions for registration to be endorsed thereon, the coupons, the single 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 by this resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Coupon Bonds)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1971

No.

\$1,000

DANESE PUBLIC SERVICE DISTRICT, a public service district in the County of Fayette, State of West Virginia, and a public corporation and political subdivision of the State of West Virginia (herein called the "District"), for value received, hereby promises to pay to the bearer, or, if this Bond be registered, to the registered holder as herein provided, on the first day of January, , from the revenues hereinafter mentioned, the principal sum of

ONE THOUSAND DOLLARS

with interest thereon at the rate of _____ per centum (%) per annum, payable on the first day of January of each year, upon the presentation and surrender of the annexed coupons as they severally fall due, unless this Bond be converted into a Bond registered as to both principal and interest. Both principal of and interest on this Bond are payable in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York.

The Bonds of the issue of which this Bond is one may be redeemed prior to their stated maturities, without premium, at the option of the District as a whole, or in part in inverse numerical order, on any January 1 beginning January 1, 1981, as provided in the resolutions hereinafter mentioned, subject to earlier redemption from moneys in the

Project Construction Account as provided in said resolutions. Notice of any such redemption shall be published at least once not less than thirty nor more than sixty days prior to the redemption date in a financial newspaper published in the City of New York, New York. Interest shall cease upon this Bond after the date fixed for redemption if it shall be duly called for prior redemption and payment thereof duly provided for.

This Bond is one of an authorized issue of Bonds (herein called the "1971 Bonds") in the aggregate principal amount of Seventy-three Thousand Dollars (\$73,000) of like date, tenor and effect, except as to number* and date of maturity issued to finance part of the cost of the construction and acquisition of additions, extensions and improvements to the waterworks system of the District under the authority of and in full compliance with the Constitution and Statutes of the State of West Virginia, including particularly Article 13A, Chapter 16 of the West Virginia Code (herein called the "Act") and other applicable statutes, and a resolution duly adopted by the Public Service Board of the District.

The Bonds of this issue and series of which this Bond is one are on a parity with the Water Revenue Bonds of the District dated April 28, 1970, initially issued in the aggregate principal amount of \$275,000 (herein called the "1970 Bonds"). The 1970 Bonds were issued pursuant to a resolution of the Board adopted April 10, 1970 (herein called the "1970 Resolution"), and the Bonds of the issue and series of which this Bond is one have been authorized and issued in full compliance with the 1970 Resolution.

* add, "interest rate" if more than one rate

Any redemption of the 1971 Bonds shall, to the extent feasible, be on the basis of one Bond of this series to four 1970 Bonds redeemed, such being, as nearly as may be, equal pro rata redemption of the 1970 Bonds and the 1971 Bonds with relation to the amount of the original issue of each series.

This Bond and the coupons appertaining hereto and the 1970 Bonds are payable solely from, and secured by a first lien on and pledge of, the net revenues derived from the operation of said waterworks system, with monthly payments from such revenues to be made into the Sinking Fund with the State Sinking Fund Commission for payment of the principal hereof and interest hereon, in the manner provided in said resolutions, and do not and shall not in any event constitute an indebtedness of the District within the meaning of any constitutional or statutory limitations, and the District shall never be obligated to pay this Bond or the interest hereon except from the revenues of said waterworks system, as provided in said resolutions. The District covenants with the holders of the Bonds of the issue of which this Bond is one to establish and at all times maintain such rates and collect such charges for the services and facilities of said waterworks system, and to revise the same from time to time, whenever necessary, as will always provide revenues in each fiscal year sufficient to make the required payments into the Sinking Fund and the reserves and accounts as provided in said resolutions for the 1970 Bonds and the 1971 Bonds, and to pay all necessary expenses of operating and maintaining the said waterworks system during such fiscal year, and the District has entered into certain other covenants with the holders of the Bonds of the issue of which this Bond is one, for the terms of which reference is made to said resolutions.

Additional Bonds on a parity with this Bond and the Bonds of the issue of which this Bond is one, as to lien and source of and security for payment, may be issued under the provisions and restrictions contained in the 1970 Resolution.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in regular and due form, time and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Bond and of the issue of Bonds of which this Bond is one is not in violation of any constitutional or statutory limitation of indebtedness.

This Bond, under the provisions of the Act, is, and has all the qualities and incidents of, a negotiable instrument.

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

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be affixed hereto and attested by the Secretary of said Board, and the annexed coupons to be executed with the facsimile signatures of said Chairman and said Secretary, all as of the _____ day of _____, 1971.

DANESE PUBLIC SERVICE DISTRICT

By John J. Zinke
Chairman of its Public
Service Board

ATTEST,

(SEAL)

George O. Fickel

(Form of Coupon)

\$

On the first day of January, 19 , unless the Bond to which this coupon was originally attached shall have been callable and duly called for prior redemption and payment of the redemption price duly made or provided for, Danese Public Service District, in Fayette County, West Virginia, will pay to the bearer at the office of the State Sinking Fund Commission, Charleston, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York, solely from the revenues described in the Bond to which this coupon is attached, the sum shown hereon in lawful money of the United States of America, upon presentation and surrender of this coupon, being the interest then due on its Water System Revenue Bond, Series 1971.

No. .

DANESE PUBLIC SERVICE DISTRICT

By (facsimile signature)
Chairman, Public Service Board

ATTEST:

(facsimile signature)
Secretary, Public Service Board

CERTIFICATE OF CONVERSION

It is hereby certified over my signature and the official seal of the issuing Public Service District that upon the presentation of the within bond with a written request by the holder thereof for its conversion into a bond registered as to both principal and interest, there have been this day cut off and destroyed _____ interest coupons attached thereto, of the amount and value of _____ each, being all the coupons for interest on the within Bond payable after the date of this certificate, and that the interest at the rate and on the dates stated in the within bond and as was provided by the coupons, as well as the principal, is to be paid to the registered holder hereof, his legal representatives, successors or transferees, at the place stated in the within bond and as was stated in the coupons. The principal of and interest on this Bond shall be payable only to the registered holder hereof named in the registration blank below, or his legal representative, and this Bond shall be transferable only on the books of the registrar kept in the office of the undersigned, and by an appropriate notation in such registration blank. When registered the registrar shall treat the registered owner as the person exclusively entitled to payment of interest and the exercise of all other rights and powers of the owner prior to due presentment for registration of transfer.

Dated: _____, 19____.

Don D. Cole Registrar

(SEAL OF PUBLIC SERVICE DISTRICT)

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasurer of Public Service District as Registrar</u>
_____	_____	<u>Don D. Cole</u>
_____	_____	<u>Don D. Cole</u>
_____	_____	<u>Don D. Cole</u>

(Form of Single Bond)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
DANESE PUBLIC SERVICE DISTRICT
WATER SYSTEM REVENUE BOND
SERIES 1971

No. R-1

\$73,000

DANESE PUBLIC SERVICE DISTRICT, a public service district (herein sometimes called the "District") in the County of Fayette, State of West Virginia, a lawfully created and existing public corporation and political subdivision of the State of West Virginia, for value received, hereby promises to pay to the Registered Holder of this Bond the principal sum of Seventy-Three Thousand Dollars (\$73,000), on the first day of January in years and installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1973	\$ 1,000	1986	\$ 1,000	1999	\$ 2,000
1974	1,000	1987	1,000	2000	2,000
1975	1,000	1988	1,000	2001	2,000
1976	1,000	1989	1,000	2002	3,000
1977	1,000	1990	1,000	2003	3,000
1978	1,000	1991	1,000	2004	3,000
1979	1,000	1992	2,000	2005	3,000
1980	1,000	1993	2,000	2006	3,000
1981	1,000	1994	2,000	2007	3,000
1982	1,000	1995	2,000	2008	4,000
1983	1,000	1996	2,000	2009	4,000
1984	1,000	1997	2,000	2010	4,000
1985	1,000	1998	2,000	2011	4,000

and to pay interest from the date hereof on the balance of said principal sum from time to time remaining unpaid at the rate of 5% per annum on January 1 of each year, commencing January 1, 1972 until the principal amount hereof has been paid, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America. Payments of the installments of principal hereof and interest hereon shall be made to the registered holder hereof at the address shown on the books of the Registrar. Payments of installments

hereof, including prepayments of installments, shall fully discharge the obligation of the District herein to the extent of the payments so made. Upon payment in full of the principal hereof and interest hereon, this Bond shall be surrendered to the District for cancellation.

This Bond, designated the "Danese Public Service District Water System Revenue Bond, Series 1971" (herein called the "Bond"), representing this entire issue of Danese Public Service District Water System Revenue Bonds, Series 1971, issued under the provisions, conditions and restrictions set forth in a Resolution duly adopted by the Public Service Board of the District for the purpose of providing funds for financing part of the costs of construction and acquisition of additions, extensions and improvements to the waterworks system of the District, together with the Water Revenue Bonds of the District dated April 28, 1970, initially issued in the aggregate principal amount of \$275,000 (herein called the "1970 Bonds"), issued pursuant to a Resolution of the Board adopted April 10, 1970 (herein called the "1970 Resolution"), together with any additional Bonds ranking on a parity herewith issued and outstanding under the provisions, conditions and restrictions set forth in said Resolutions, is payable only from the revenues to be derived from the operation of the waterworks system after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks system (such revenues being herein referred to as "Net Operating Income"). A sufficient portion of the Net Operating Income has been ordered set aside in the Sinking Fund established by the Resolution and pledged for that purpose. This Bond does not in any manner constitute an indebtedness of the District within the meaning of any constitutional or statutory limitation. The District covenants that it will fix

such rates and charges for the services of its waterworks system and collect and account for revenues therefrom sufficient to pay promptly all costs of operation and maintenance thereof and the principal of and interest on this Bond and the 1970 Bonds as the same shall become due and to make the required payments into other funds, accounts and reserves as provided in the Resolution.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

As provided in the Resolution, this Bond is exchangeable at any time, upon 'ninety days' notice, at the request of the Registered Holder hereof and upon surrender of this Bond to the District, for negotiable coupon Bonds, payable to bearer, convertible into bonds registered as to principal and interest, in an aggregate principal amount equal to the unpaid principal amount of this Bond, and in the form of coupon Bond provided in the Resolution.

Prepayment Provisions: In addition to the installments of principal and interest required to be paid by the District as hereinabove set forth, the District shall have the right to prepay on January 1, 1981, and on any January 1 thereafter, the entire principal amount hereof then remaining unpaid, or such lesser portion thereof as it may determine upon, in inverse chronological order of installments and in multiples of \$1,000 plus accrued interest on the amount of the principal prepayment to the date of prepayment.

Notice of any such optional prepayment shall be given by the District at least thirty days prior to the

prepayment date by sending by registered or certified mail to the Registered Holder hereof a notice fixing such prepayment date and the amount to be prepaid.

Any prepayment of the 1971 Bonds shall, to the extent feasible, be on the basis of \$1,000 of this series to \$4,000 of the 1970 series prepaid, such being, as nearly as may be, equal pro rata prepayment of the 1970 Bonds and the Bonds of this series with relation to the amount of the original issue of each series.

A statutory mortgage lien upon the waterworks system of the District is created by the Act in favor of the Registered Holder of this Bond, which lien is hereby recognized as valid and binding and shall remain in effect until the payment in full of the principal of and interest on this Bond.

This Bond is exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

This Bond may be assigned, and upon such assignment the assignor shall promptly notify the District by registered mail and the assignee shall present the same to the District for appropriate change in registration subject to verification of the portion of the principal amount hereof and interest hereon paid or prepaid, and every such assignee shall take this Bond subject to such conditions.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, that the amount of this Bond, together with all other obligations of the District, does not exceed any limits prescribed by the Constitution and

statutes of the State of West Virginia, and that a sufficient portion of the Net Operating Income of the waterworks system of the District has been pledged to and will be set aside into the Sinking Fund for the prompt payment of the installments of the principal of and interest on this Bond.

IN WITNESS WHEREOF, DANESE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be hereto affixed and attested by the Secretary of said Board, all as of the _____ day of _____, 1971

DANESE PUBLIC SERVICE DISTRICT

By

John S. Linley
Chairman of its Public Service Board

(CORPORATE SEAL)

(ATTEST:

George O. Fickel
Secretary of its Public Service Board

This Bond is registered as follows:

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasurer of Public Service District as Registrar</u>
		<i>Don D. Cole</i>
		<i>Don D. Cole</i>
		<i>Don D. Cole</i>

1970 Bonds and the 1971 Bonds, and all payments, funds and accounts provided and established by the 1970 Resolution are hereby recognized and confirmed as applying to the 1971 Bonds.

Section 4.4. Rates and Charges. The rates and charges for the services and use of the water facilities heretofore duly provided by resolution of the Board and approved by the Public Service Commission of West Virginia in connection with the issuance of the 1970 Bonds are hereby found and determined to be adequate and in compliance with the requirements of the 1970 Resolution and this resolution to produce average annual net revenues equal to not less than 1.10 times the average annual debt service requirements on the 1970 Bonds and the Bonds hereby authorized.

Section 4.5. Tap Fees. Prior to issuance of the 1971 Bonds, the District shall collect tap fees from at least 71 additional customers in the aggregate sum of \$1,420.00, which sum will be deposited in the Revenue Fund.

ARTICLE V

MISCELLANEOUS

Section 5.1. Resolutions Constitute Contract. The provisions of this Resolution, together with the provisions of the 1970 Resolution, as hereinabove supplemented, amended and provided shall constitute a contract between the District and the holders of the Bonds, and after the issuance of any of the Bonds no change, variation or alteration of any kind of the provisions of this Resolution or of the 1970 Resolution shall be made in any manner, except as herein and in the 1970 Resolution provided.

Section 5.2. Separability. If any section, paragraph, clause or provision of this Resolution shall 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 or of the Bonds or coupons, it being hereby declared that all the same are separable.

Section 5.3. 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 5.4. Filing Under Uniform Commercial Code. The District and the original purchaser of the Bonds shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia, and promptly thereafter the District shall file such Financing Statements in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Court of Fayette County,


West Virginia. The Chairman of the Board of the District is authorized and directed to execute such Financing Statements for the District.

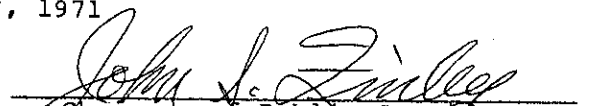
Section 5.5. Sale of Bonds. The Secretary of the Board is hereby authorized and directed to cause notice for bids for the purchase of the Bonds authorized hereby to be published at least twice, the second publication to be not less than fifteen days prior to the date fixed for the receipt of bids, in a newspaper published and of general circulation in Fayette County, with at least one week intervening between publications, and by mailing copies of the Official Notice of Sale at least twenty days prior to the date fixed for the receipt of bids to all area banks having municipal bond departments and all area investment banking firms and all other parties in the area that, in the information of said Secretary, might be interested in the issue.

Section 5.6. Conflicting Provisions. All resolutions and orders or parts thereof in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed, provided, however, that the provisions of the 1970 Resolution shall apply as herein provided.

Section 5.7. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted December 8, 1971


Secretary of Public Service Board


Chairman of Public Service Board

SPECIMEN

DANESE PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE)

\$692,000

No. AR-1

Date: August 22, 2002

FOR VALUE RECEIVED, DANESE PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of SIX HUNDRED NINETY-TWO THOUSAND DOLLARS (\$692,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$3,177, 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 August 20, 2002, 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 FOLLOWING WATER REVENUE BONDS OF THE BORROWER:


(i) WATER SYSTEM REVENUE BONDS, SERIES 1970, DATED APRIL 28, 1970, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$275,000, AND DESCRIBED IN THE RESOLUTION; AND

(ii) WATER REVENUE BONDS, SERIES 1971, DATED DECEMBER 8, 1971, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$73,000, AND DESCRIBED IN THE RESOLUTION.

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


DANESE PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]



Chairman, Public Service Board
Drawer C
Danese, West Virginia 25831

ATTEST:



Secretary, Public Service Board

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$104,013.73	August 22, 2002	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$ _____

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

08/15/02
210780.99001



Clarksburg Charleston Morgantown Martinsburg Wheeling Parkersburg

Bank One Center, Seventh Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoelaw.com
August 22, 2002

Writer's Contact Information

Danese Public Service District
Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

United States Department of Agriculture
Beckley, West Virginia

GMAC Commercial Mortgage Corporation
Horsham, Pennsylvania

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Danese Public Service District in Fayette County, West Virginia (the "Issuer"), of its \$692,000 Water Revenue Bonds, Series 2002 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 August 20, 2002, (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds on a parity with the Issuer's Water System Revenue Bonds, Series 1970, dated August 28, 1970, issued in the original aggregate principal amount of \$275,000 and



Water Revenue Bonds, Series 1971, dated December 8, 1971, issued in the original aggregate principal amount of \$73,000.

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

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

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

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

Very truly yours,



STEPTOE & JOHNSON PLLC

JAMES C. BLANKENSHIP III
ATTORNEY AT LAW
105 EAST WISEMAN AVENUE
P. O. BOX 326
FAYETTEVILLE, WEST VIRGINIA 25840
304-574-3556
FAX 574-2365

August 22, 2002

Danese Public Service District
Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

Danese Public Service District
Danese, West Virginia

GMAC Commercial Mortgage Corporation
Horsham, Pennsylvania

United States Department of Agriculture
Beckley, West Virginia

Step toe & Johnson PLLC
Clarksburg, West Virginia

Ladies and Gentlemen:

I am counsel to Danese Public Service District, a public service district in Fayette County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted August 20, 2002 (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 Fayette 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.

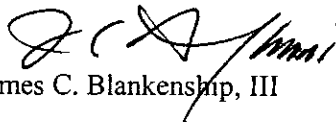
I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.
2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
3. The Resolution has been duly adopted by the Issuer and is in full force and effect.
4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the 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 Fayette County and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

6. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds or the Resolution, the acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Sincerely,


James C. Blankenship, III

JCB,III/kll

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 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. CONSENT OF PRIOR BONDHOLDERS
16. CONFLICT OF INTEREST
17. PROCUREMENT OF ENGINEERING SERVICES
18. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Danese Public Service District in Fayette 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 Danese Public Service District Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$692,000 and bearing interest at the rate of 4.5% per annum (the "Bonds" or the "Series 2002 A Bonds"), as follows:

I. 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, 1998, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted August 20, 2002, 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 June 6, 2002, in Case No. 02-0059-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the rates and charges. The time for appeal of the Final Order 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 2002 A Bonds as to liens, pledge and source of and security for payment, being the Water System Revenue Bonds, Series 1970, dated April 28, 1970, issued in the original aggregate principal amount of \$275,000 and the Water Revenue Bonds, Series 1971, dated December 8, 1971, issued in the original aggregate principal amount of \$73,000 (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 2002 A Bonds as to liens, pledge and/or source of and security for payment.

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

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

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

Bond Resolution

1970 Bond Resolution

1971 Bond Resolution

Consent to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

County Commission Orders Regarding Creation and Enlargement of the District and Approval of Boardmembers

County Commission Orders of Appointment of Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Borrowing

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 Grant from the West Virginia Infrastructure and Jobs Development Council

The undersigned Chairman hereby covenants that he has or will file tariffs pursuant to final order of the Public Service Commission when the completion date of the Project is definitely known, or has caused or will cause such tariffs to be filed in accordance with said order.

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Danese Public Service District" and its principal office and place of business are in Fayette 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>
Richard Kinder	02-06-2002	03-30-2008
Lawrence Boley	03-26-2002	03-30-2006
Gary Holcomb	03-15-1998	03-30-2004

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2002 are as follows:

Chairman - Richard Kinder
Secretary - Lawrence Boley
Treasurer - Gary Holcomb

The duly appointed and acting Attorney for the Issuer is James C. Blankenship, III, Esquire, of Fayetteville, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Bonds were delivered to the Purchaser at Danese, 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 \$104,013.73 was received by the undersigned Chairman, being a portion of the principal amount of Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.5% 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 538 bona fide full-time users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

14. **GRANTS:** As of the date hereof, the grant and subsequent grant from the Purchaser in the total amount of \$372,000 and the grant from the West Virginia Infrastructure and Jobs Development Council in the amount of \$500,000 are committed and in full force and effect.

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

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

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

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

WITNESS our signatures and the official seal of DANESE PUBLIC SERVICE DISTRICT on this 22nd day of August, 2002.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Richard Kinder

Chairman

Lawrence R. Boley

Secretary

J. C. Smith

Attorney for Issuer

08/15/02
210780.99001

DANESE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

We, Jack D. Stafford, Registered Professional Engineer, West Virginia License No. 6753, and James R. Bolton, Registered Professional Engineer, West Virginia License No. 8940, of Stafford Consultants Incorporated, Princeton, West Virginia, hereby certify that our firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") (namely the Danese Public Service District Water Systems Improvement Project, as further outlined in documents approved by the West Virginia Office of Environment Health Services Permit No. 15,041) to the existing waterworks system (the "System") of Danese Public Service District (the "Issuer"), to be acquired and constructed in Fayette County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

We further certify that the Project will, to the best of our knowledge, within the limits and in accordance with the applicable and governing contractual requirements related to the Project, be constructed in general accordance with plans and specifications prepared by our firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

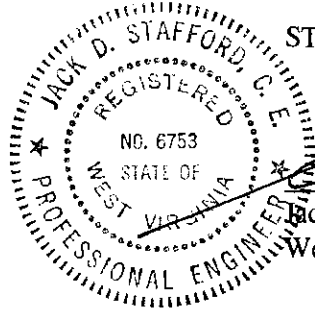
We further certify that the Project is adequate for the purpose for which it was designed and that the following necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained or can and will be obtained:


1. West Virginia Office of Environmental Health Services
2. Corps of Engineers Nationwide Permit
3. Construction Stormwater WV/NPDES General Permit
4. West Virginia Division of Highways
5. Public Land Corporation

Stafford Consultants Incorporated has not reviewed the potential applicability of the National Environmental Policy Act to the acquisition and construction of the Project or operation of the System.

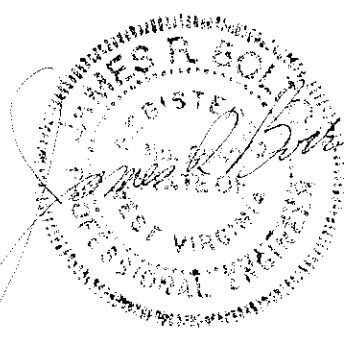
WITNESS our signatures on this 8th day of August, 2001.


STAFFORD CONSULTANTS INCORPORATED





Jack D. Stafford, P. E.
West Virginia License No. 6753





James R. Bolton, P.E.
West Virginia License No. 8940

08/14/02
2107480.99001

Date of Report: August 22, 2002

ISSUE: Danese Public Service District Combined Water Revenue Bonds, Series 2002 A (United States Department of Agriculture)

ADDRESS: Danese Public Service District, Drawer C, Danese, WV 25831 COUNTY: Fayette

PURPOSE OF ISSUE: New Money: X
 Refunding: _____ REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: August 22, 2002 CLOSING DATE: August 22, 2002

ISSUE AMOUNT: \$692,000 RATE: 4.5%

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

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

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

UNDERWRITERS COUNSEL: _____
 Contact Person: _____
 Phone: _____

CLOSING BANK: _____
 Contact Person: _____
 Phone: _____

ESCROW TRUSTEE: _____
 Contact Person: _____
 Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
 Contact Person: Cynthia Jones
 Position: Manager
 Phone: (304) 438-6686

OTHER: United States Department of Agriculture
 Contact Person: Ms. Rosemary Christian
 Function: Rural Development Specialist
 Phone: (304)252-8644

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 2002 A Bonds Reserve Account. Payments to the Series 2002 A Bonds Reserve Account will commence within 24 months of August 22, 2002.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
 DOCUMENTS REQUIRED: _____
 TRANSFERS REQUIRED: _____



United States
Department of
Agriculture

Rural Development

extra

Federal Building, Room 320
75 High Street
Morgantown, WV 26505
Telephone: (304) 291-4796
Fax: (304) 291-4159
TTY/TDD: (304) 284-5941

December 17, 1998

Gary Holcomb, Chairman
Danese Public Service District
P.O. Drawer C, Route 19-41
Danese, WV 25831

Dear Mr. Holcomb:

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 \$764,000, an RUS grant in the amount of \$300,000, and other funding in the amount of \$500,000, for a total project cost of \$1,564,000. The other funding is planned in the form of a grant from the Appalachian Regional Commission.

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 Danese PSD
(All Copies)

Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)

Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)

- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)
- Attachment No. 6 - Agreement (RUS Bulletin 1780-13) (Engineer Copy)
- Attachment No. 7 - Supplemental General Conditions (RUS Bulletin 1780-14) (Engineer Copy)
- Attachment No. 8 - Government Auditing Standards (Revision 1994) (Accountant Copy)
- Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement "
- Attachment No. 10 - Danese PSD Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 11 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 12 - RUS Bulletin 1780-21, "Consent for Additional Borrowing for Applicants Whose Loans Were Sold to the Community Programs Loan Trust 1987-A"
- Attachment No. 13 - Labor Standards Provisions
- Attachment No. 14 - Various other RD Forms as identified on Attachment No. 2

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

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.5% interest rate and a monthly amortization factor of 0.00459, which provides for a monthly payment of \$3,507.00. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account and a depreciation reserve account, which together equal 10% of the annual debt service each year for the life of the loan. Five percent (5%) will be deposited into both accounts until an annual debt payment has been accumulated. Thereafter, the entire 10% will be deposited into the depreciation reserve account.

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

2. Security - The loan must be secured by a statutory lien on parity with the PSD's Series 1970 and 1971 Revenue Bond Issues now held by General Electric Credit Corporation, 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.

The PSD's water revenue bond issue was sold in the 1987 asset sale. It will be necessary for the PSD's bond counsel to contact the General Electric Capital Corporation (GECC), P.O. Box 420250, Houston, Texas, 77242, to obtain consent for additional borrowing. Attached is RUS Bulletin 1780-21 which contains an application to obtain additional funding that must be submitted to GECC (Attachment No. 12). Evidence of GECC's consent must be provided to RUS prior to loan closing.

3. Users - This conditional commitment is based upon you providing evidence that you will have at least 594 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 102 signed user agreements and a certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Water Users Agreement (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 PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service. Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the water service of the existing system (paying monthly bills), (2) signed user agreements, (3) signed service declination statements, (4) records evidencing user contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed

bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

The RUS loan and grant commitment is based on the PSD providing service to one (1) large volume user. Evidence must be provided to show this user will actually be connected to the system when it is completed and that the monthly water usage projected for the user by the engineer is reasonable. In the event the user refuses the offered service, the PSD must obtain enough additional revenue (i.e., increase in user rates, sign up of an adequate number of other users, reduction in project scope to reduce debt service and O&M , etc.) to make up the projected income that would be lost by not having this user on the system.

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. For your convenience, Form RD 1942-19, "Agreement for Engineering Services," or EJCDC No. 1910-1, "Standard Form of Agreement between Owner and Engineer for Professional Services" may be used to obtain the services of an engineer. A copy of Form RD 1942-19 is attached hereto. The EJCDC document is issued under copyright and cannot be provided by RUS.
6. Legal Services - You must 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 - You must 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 for your PSD. The attached booklets, "Government Auditing Standards (Revised 1994)" (Attachment No. 8) and RUS Bulletin 1780-30 (Attachment No. 9) outline audit requirements. You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$300,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project funds and should be paid from the operational revenues generated from your system operation.

8. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:
 - a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
 - b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form RD 1927-9, "Preliminary Title Opinion" may be used. In the case of your existing system or where the PSD already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.
 - c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.
 - d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions.
 - e. On the day of loan closing, the PSD's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the PSD has already acquired real property(s) (land or facilities), the

PSD's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.

9. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
- West Virginia Department of Highways
 - Railroads
 - State Department of Health
 - Public Land Corporation

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

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

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

11. Insurance and Bonding Requirements - Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:

- a. Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.
- b. Workers' Compensation - In accordance with appropriate State laws.
- c. Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).

- d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
- (1) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (2) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.
- e. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

12. Contract Documents, Final Plans and Specifications -

- a. The contract documents should consist of the following:
- (1) "Agreement" (RUS Bulletin 1780-13) and Attachments 1 through 9, or other agreement approved by RUS. One copy of this item is attached hereto (Attachment No. 6).
 - (2) "Supplemental General Conditions" (RUS Bulletin 1780-14). One copy of this item is attached hereto (Attachment No. 7). Additional copies must be reproduced by the engineer.
 - (3) "Labor Standards Provisions" - Title 29, Subtitle A, Part 5, Section 5.5, Contract Provisions and Related Matters. One copy of this item is attached hereto (Attachment No. 13). Additional copies must be reproduced by the engineer.
- b. The contract documents must provide, as a minimum, the following insurance:
- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. This coverage must include indemnification of the PSD and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you

consider increasing the given limits of liability after analyzing your specific needs.

- (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.
 - (3) Workers' Compensation - In accordance with applicable State laws.
- c. The contract documents and final plans and specifications must be submitted to RUS for approval.
 - d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.
13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review.
 14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to the Rural Utilities Service. The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.
 15. Other Grants - Prior to advertisement for construction bids, you must provide evidence showing the approval of the ARC grant. 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.
 16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:
 - Form RD 442-7 - "Operating Budget"
 - Form RD 1940-1 - "Request for Obligation of Funds"
 - RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"
 - RUS Bulletin 1780-27 - "Loan Resolution (Public Bodies)"
 - Form RD 400-1 - "Equal Opportunity Agreement"
 - Form RD 400-4 - "Assurance Agreement"
 - Form AD 1047 - "Certification Regarding Debarment - Primary"

Form AD 1049 - "Certification Regarding Drug-Free Workplace"
Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"
FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)

17. 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.
18. 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.

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

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.

In accordance with the intent of Congress as expressed in the FY 1997 Appropriations Act, recipients of water and waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

Please complete and return the enclosed Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, 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,


BOBBY LEWIS
State Director

Enclosures

cc: Administrator, RUS
ATTN: Water and
Environmental Programs
Washington, DC

Rural Development Specialist
Beckley, WV

Jeffrey Feamster
Certified Public Accountant
Lewisburg, WV

Calleghan and Ruckman
Attorneys at Law
Summersville, WV

Bond Counsel

Stafford Consultants, Inc.
Princeton, WV

Project Construction Budget

<u>Project Cost</u>	<u>ARC</u> <u>Grant</u>	<u>RUS</u> <u>Grant</u>	<u>RUS</u> <u>Loan</u>	<u>Total</u>
Construction	\$ 392,700	\$ 235,600	\$ 571,700	\$ 1,200,000
Construction Contg.	27,500	16,500	40,000	84,000
Land and Rights	1,900	1,200	2,900	6,000
Legal Fees	5,900	3,500	8,600	18,000
Engineering Fees	60,200	36,100	87,700	184,000
Basic \$101,000				
Inspection \$74,000				
Special \$9,000				
Bond Counsel	2,900	1,800	4,300	9,000
Interest			36,000	36,000
Accounting	1,000	600	1,400	3,000
Project Contg.	7,900	4,700	11,400	24,000
Total	\$ 500,000	\$ 300,000	\$ 764,000	\$ 1,564,000

Rates - Available for general domestic, commercial and industrial service.

First	3,000 gals. @	\$6.45 per M gals.
Next	7,000 gals. @	\$5.20 per M gals.
Next	10,000 gals. @	\$ 4.40 per M gals.
Over	20,000 gals. @	\$ 4.03 per M gals.

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 -	\$19.35 per month
3/4" meter -	\$29.03 per month
1" meter -	\$48.38 per month
1 1/2" meter -	\$96.75 per month
2" meter -	\$154.80 per month
3" meter -	\$290.25 per month
4" meter -	\$483.75 per month
6" meter -	\$967.50 per month
8" meter -	\$1,548.00 per month

(Minimum Monthly Bill \$19.35 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 \$235.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis

306	users @	3,000	gallons @	\$ 19.35	per user =	\$5,921.10	monthly
109	users @	4,000	gallons @	\$ 24.55	per user =	\$2,675.95	monthly
66	users @	5,000	gallons @	\$ 29.75	per user =	\$1,963.50	monthly
44	users @	6,000	gallons @	\$ 34.95	per user =	\$1,537.80	monthly
30	users @	7,000	gallons @	\$ 40.15	per user =	\$1,204.50	monthly
15	users @	8,000	gallons @	\$ 45.35	per user =	\$680.25	monthly
12	users @	9,000	gallons @	\$ 50.55	per user =	\$ 606.60	monthly
6	users @	10,000	gallons @	\$ 55.75	per user =	\$ 334.50	monthly
5	users @	13,000	gallons @	\$ 68.95	per user =	\$ 344.75	monthly
1	users @	423,000	gallons @	\$ 1,723.84	per user =	\$ 1,723.84	monthly

594 Total Users

\$16,992.79 Monthly Revenue x 12 = \$203,913.48 Annual Revenue

Budget

Income		\$203,913.48
Expenses		
O & M	\$137,300	
*Debt Service	62,284	
**Debt Service Reserve	2,104	
***Depreciation Reserve	2,104	
		\$203,792.00
Balance and Depreciation		\$ 121.48

Operating and Maintenance Expenses

Personnel Services	\$79,000
Contractual Services	3,100
Materials and Supplies	6,500
Maintenance	11,800
Utilities	27,700
Administrative and General	9,200

TOTAL	<u>\$137,300</u>
-------	------------------

*Existing Debt Service -	\$16,200 (1970 Bond - GECC)
	4,000 (1971 Bond - GECC)
Proposed Debt Service -	42,084

Total Debt Service -	<u>\$62,284</u>
----------------------	-----------------

** Existing Debt Service Reserve	\$ 0 (Fully Funded)
Proposed Debt Service Reserve	2,104

Total Debt Service Reserve	<u>\$2,104</u>
----------------------------	----------------

*** Existing Depreciation Reserve	\$ 0 (Fully Funded)
Proposed Depreciation Reserve	2,104

Total Depreciation Reserve	<u>\$2,104</u>
----------------------------	----------------

Attachment No. 2 to Letter of Conditions
 For: Danese Public Service District
 Date: December 17, 1998

UNITED STATES DEPARTMENT OF AGRICULTURE
 RURAL UTILITIES SERVICE
 Water and Waste Processing Checklist

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
SF 424.2	Application for Federal Assistance	3	1780.31(b)	App.		Have	3
	Public Notice of Intent to File App. / Environ. Notice	1	1780.19(a) 1940-G	App.		HAVE	3
	Regional Planning & Development Council Review	2	1780.33(b)	App.		Have	3
	State Clearing-house Review or IJDC Review	2	1780.33(b)	App.		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Eng.		Have	6
	Bond Ordn. or Resol. on Outstanding Debts	1	1780.33(e)	App./Atty.		Have	2
	Bonds or Notes Outstanding Debts	1	1780.33(e)	App./Atty.		Have	2

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Audit for last year of operation	1	1780.33(e)	App./Acct.		Have	1
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	App.		HAVE	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	App.			5
(NPA's Only)	Organizational Documents	1	1780.33(e)	App./Atty.		N/A	5
RD 1940-20	Request for Env. Info/ Attachments	2	1780.33(f)	App./Eng.		Have	3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	App.		HAVE	3
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	App.		HAVE	2
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	2	1940-G	RUS/Eng.		HAVE	3
	Site Visit		S.I. 1780-2	RUS		HAVE	3
	Statement from Historical Preservation Office	2	Exhibit H 1940-G	App.		HAVE	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Comments from Dept. of Commerce, Labor & Environ. Resources (DEP)	2	Exhibit H 1940-G	App.		HAVE	3
	Comments from U.S. Fish and Wildlife Service (Endangered Species)	2	Exhibit H 1940-G	App.		HAVE	3
	Comments from U.S. Forest Service (Wild & Scenic Rivers)	2	Exhibit H 1940-G	App.			3
	Farmland Conversion Impact Rating	1	Exhibit H 1940-G	RUS/ NRCS		HAVE	3
	FEMA Standard Flood Hazard Determination	2	1940-G	RUS/Eng.			3
	Civil Rights Impact Analysis Certification	2	1940-G	RUS/Eng.		HAVE	3
	FONSI / Evidence of Publication	1	Exhibit 1 RD 1940-G News Ad	RUS/App.		HAVE	3
	Copy of Existing Rate Tariff	2	1780.33	App.		Have	8
	Applicant's IRS Tax Number (TIN)	1	1780.33(g)	App.		Have	3
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Review for Outstanding Judgment	1	1780.7(g)	RUS/Atty.			3
	Processing Conference	1	1780.39(a)	RUS			3
	Staff Engineer PER Review	1	1780.33(c)	RUS			6
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
	Bill Analysis for existing system(s)	2	1780.33(c)	App./Eng.		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	App./Eng.		Have	8
	Statement reporting the <u>total</u> number of <u>potential</u> users		1780.33(c)	App./Eng.		Have	8
RD 1942-19 or other approved	Agreement between Owner & Engineer	3	1780.39(b)	App./Eng.		HAVE	6
Bulletin 1780-7 or other approved	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	App./Atty.			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	App./ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	App./Acct.			5
	Documentation on Service Area	1	1780.11	RUS		HAVE	3
	Relationships/ Associations with Agency Employees	1	1780.1(f)			HAVE	3
Auto. Form	Grant Determination	3	1780.35(b)	RUS		Have	
RD 1942-45	Project Summary	3	1780.41(a)	RUS		Have	1
RD 442-7	Operating Budget	3	1780.33(h)	App.		HAVE	3
RD 1942-14	Project Fund Analysis	3	1780.41(a)	RUS		Have	2
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		Have	1
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	App.		HAVE	3
RD 1940-1	Request for Obligation of Funds	4	1780.41(a)	RUS/App.		HAVE	2

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/App.		HAVE	2
	Evidence of "Other Funds"	1	1780.44(f)	App.			2
	Water Users Agreement (Copy)	1	1780.39(c)	App.			5
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	App.		HAVE	5
AD 1048	Certification Regarding Debarment (Contractor)	1 ea.	1780.33(h)	All Appropriate Vendors			5
RD 1910-11	Applicant Certification, Federal Collection Policies	1				HAVE	
	Evidence of Users:						
	1. Map of Users with each identified by number	1	LOC	App.			Sep. File
	2. List of Signed Users Numbered to Map	1	LOC	App.			5 5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	3. List of Declination Statements Numbered to Map	1	LOC	App.			5
	4. Evidence of Tap Fees Being Paid	1	LOC	App.			5
	5. Having Users Agreements and Declination Statements Available		LOC	App.			
	6. Certification Relative to Existing Users	1	LOC	App.			5
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	App.			5
	Verification of Users	1	1780.44(b)	RUS			3
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Eng.			Sep. File
	Deeds and/or Options		1780.44(g)	App./Atty.			
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	App./Atty.			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	App./Atty.			5
	Narrative Opinion from Attorney	1	1780.44(g)	Atty.			5
	Waiver of Title Defects Letter	1	1780.44 (g)(2)(ii)	RUS			
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Atty.			5
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	App.		HAVE	5
	Copy of PSC Rule 42 Exhibit	1	State	Atty./Acct.			3
Lender Agrmnt/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	App./RUS			1
RD 400-1	Equal Opportunity Agreement	1	1901-E	App.		HAVE	6
RD 400-4	Assurance Agreement	1	1901-E	App.		HAVE	3
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Sep. File
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	DOH Permit	1	1780.15(d)	App.			6
	Railroad Permits	1	1780.15(d)	App.			6
	Public Land Corp. Permit	1	1780.15(d)	App.			6
	Contract Documents, Plans and Specifications	2		Eng.			Sep. File
	Dept. of Health Approval	1	1780.15(d)	Eng.			6
400-8	Comp. Review	1	1901-H 1901.204	RUS			5
1924-16	Record of PreConstruction Conference	1	1780.76(a)	RUS/Eng.			6
	Bid Tabulation	1	1780.61(b)	Eng.			6
	Resume' of Inspector	1	1780.76(c)	Eng.			6
	Liability Insurance		1780.39(g)	App.			7
	Workers' Compensation Certificate	1	1780.39(g)	App.			7
	Flood Insurance Policy	1	1780.39(g)	App.			7
440-24	Fidelity Bond	1	1780.39(g)	App.			7
	OGC Final Opinion	1	1780.45(g)	RUS			5



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

Bond Counsel

June 28, 2001

Sterley C. Flanagan, Jr., Chairman
Danese Public Service District
P.O. Drawer C
Danese, WV 25831

RE: Amendment No. 1 to Letter of Conditions

Dear Mr. Flanagan:

This letter, with Attachment No. 1 amends the letter of conditions dated December 17, 1998 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 \$692,000, an initial RUS grant in the amount of \$300,000, a subsequent RUS grant in the amount of \$72,000, and other funding in the amount of \$500,000, for a total project cost of \$1,564,000. The other funding is planned in the form of a grant from the West Virginia Infrastructure and Jobs Development Council.

Subject to the requirements noted herein, all of the conditions of the December 17, 1998 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

The interest rate for the \$692,000 loan 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)

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 4.5% interest rate and a monthly amortization factor of .00459, which provides for a monthly payment of \$3,177.00.
2. 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.
3. 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 RD 1940-1 - “Request for Obligation of Funds”

RUS Bulletin 1780-27 – “Loan Resolution”

Form RD 1942-46 - “Letter of Intent to Meet Conditions”

4. Users – This conditional commitment is based upon you providing evidence that you will have at least 538 bona fide users on the proposed system when it has been completed and is placed in operation. This is a decrease of 56 bona fide users. This evidence will consist of 27 signed user agreements (decrease of 75 new users) and a certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

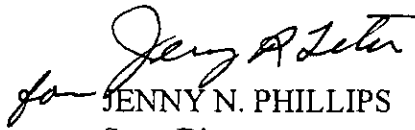
Please complete and return the enclosed Form RD 1942-46, “Letter of Intent to Meet Conditions,” if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six 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 PSD 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 Manager, Beckley
ATTN: Rural Utilities Service

Imre D. Pentek, CPA
Lewisburg, WV

James C. Blankenship III, Esquire
Fayetteville, WV

John C. Stump, Esquire
Steptoe and Johnson, PLLC
Charleston, WV

Stafford Consultants, Inc.
Princeton, WV

Project Construction Budget

<u>Project Cost</u>	<u>WVIJDC Grant</u>	<u>RUS Grant</u>	<u>RUS Loan</u>	<u>Total</u>
Construction	401,010	298,600	526,490	1,226,100
Construction Contingency	18,420	13,700	24,100	56,220
Land and Rights	1,900	1,500	2,600	6,000
Legal and Administrative Fees	5,900	4,400	7,700	18,000
Engineering Fees	60,780	45,200	79,700	185,680
Basic - \$100,420				
Inspection - \$73,500				
Special - \$11,760				
Bond Counsel	2,900	2,200	3,900	9,000
Interest			36,000	36,000
Accounting	1,000	700	1,300	3,000
Project Contingency	8,090	5,700	10,210	24,000
TOTALS	500,000	372,000	692,000	1,564,000

Rates - Available for general domestic, commercial and industrial service.

First	3,000 gals. @	\$6.60 per M gals.
Next	7,000 gals. @	\$5.32 per M gals.
Next	10,000 gals. @	\$4.50 per M gals.
Over	20,000 gals. @	\$4.03 per M gals.

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 -	\$19.80 per month
3/4" meter -	\$29.70 per month
1" meter -	\$49.50 per month
1 1/2" meter -	\$99.00 per month
2" meter -	\$158.40 per month
3" meter -	\$297.00 per month
4" meter -	\$495.00 per month
6" meter -	\$990.00 per month
8" meter -	\$1,584.00 per month

Minimum Monthly Bill \$19.80 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 \$235.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis

245 users @	3,000 gallons @	\$19.80 per user =	\$4,851.00 monthly
96 users @	4,000 gallons @	\$25.12 per user =	\$2,411.52 monthly
72 users @	5,000 gallons @	\$30.44 per user =	\$2,191.68 monthly
45 users @	6,000 gallons @	\$35.76 per user =	\$1,609.20 monthly
30 users @	7,000 gallons @	\$41.08 per user =	\$1,232.40 monthly
19 users @	8,000 gallons @	\$46.40 per user =	\$881.60 monthly
11 users @	9,000 gallons @	\$51.72 per user =	\$568.92 monthly
8 users @	10,000 gallons @	\$57.04 per user =	\$456.32 monthly
11 users @	13,000 gallons @	\$70.54 per user =	\$775.94 monthly
1 users @	423,000 gallons @	\$1,726.13 per user =	\$1,726.13 monthly

538 Total Users

\$16,704.71 Monthly Revenue x 12 = \$200,456.52 Annual Revenue

Budget

Income		200,456.52
--------	--	------------

Expenses

O&M (B)	138,000
*Debt Service	58,324
**Debt Service Reserve	1,906
***Depreciation Reserve	1,906

Total	<hr/>	200,136.00
-------	-------	------------

Balance and Depreciation		<hr/> 320.52
--------------------------	--	--------------

Operating and Maintenance

Expenses

Personnel Services	75,500
Contractual Services	2,000
Materials and Supplies	7,500
Maintenance	11,500
Utilities	21,500
Administrative and General	13,500
Taxes	6,500

TOTAL	<hr/> 138,000
-------	---------------

*Existing Debt Service	16,200 (1970 Bond - GECC)
	4,000 (1971 Bond - GECC)

Proposed Debt Service	38,124
-----------------------	--------

Total Debt Service	<hr/> 58,324
--------------------	--------------

**Existing Debt Service Reserve	0 (Fully Funded)
---------------------------------	------------------

Proposed Debt Service Reserve	1,906
-------------------------------	-------

Total Debt Service Reserve	<hr/> 1,906
----------------------------	-------------

***Existing Depreciation Reserve	0 (Fully Funded)
----------------------------------	------------------

Proposed Depreciation Reserve	1,906
-------------------------------	-------

Total Depreciation Reserve	<hr/> 1,906
----------------------------	-------------

DANESE PUBLIC SERVICE DISTRICT

DRAWER C • DANESE, WV 25831

PHONE (304) 438-6686

July 2, 2001

Steptoe & Johnson
Attorneys At Law
PO Box 2190
Clarksburg, WV 26302-2190

RE: Amendment No. 1 Letter of Conditions

To Whom It May Concern:

Enclosed you will find Amendment No. 1 to the Letter of Conditions of December 17, 1998. Please feel free to call if you need any additional information.

Sincerely yours,



Cynthia M. Jones
Office Manager



UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

481 RAGLAND ROAD
BECKLEY, WV 25801
PHONE (304) 252-8644
FAX (304) 252-5809
TTY/TDD (304) 284-4836

August 2, 2002

Richard Kinder, Chairman
Danese Public Service District
P. O. Drawer C
Danese, WV 25831

Dear Mr. Kinder:

The pre-closing date for the PSD's water project has been established as August 20, 2002. The pre-closing will begin at 10:00 a.m. at the PSD office followed by the pre-construction conference at 11:00 a.m.

Reference is made to our Letter of Conditions dated December 17, 1998 and its Amendment dated June 28, 2001. All of the requirements of that letter must be met.

Many of the aforementioned items have already been addressed. Those remaining items to be satisfied prior to loan closing include:

1. The PSD's attorney must furnish Form RD 442-22, "Opinion of Counsel Relative to Rights of Way," showing no exceptions. This form should be dated August 22, 2002.
2. The PSD's attorney must furnish Form RD 1927-10, "Final Title Opinion," on all land(s) being acquired. In addition, the attorney must provide a separate Final Title Opinion(s) covering all existing property owned by the PSD. The opinion(s) should be dated August 22, 2002.
3. The permit from the West Virginia Department of Highways must be on hand at the closing. The PSD should proceed to obtain necessary bond and forward same to the WVDOH requesting the permit be issued.
4. A certificate from the PSD's accountant that the accounts and records required by the bond resolution and the PSC have been established and are operational. The chart of accounts and record keeping books must be available for review at loan closing.
5. The PSD must provide evidence that it has acquired insurance and bond coverage in accordance with item 11 of the Letter of Conditions.

6. The PSD must furnish evidence that it provides State Workman's Compensation Insurance.
7. Revised "Agreement with Accountant" between the PSD and Jeffrey S. Feamster, CPA, per our letter of May 28, 2002.

If you have any questions regarding these or any other matters pertaining to your loan, please contact this office.

Sincerely,

Rose Mary Christian
Rural Development Specialist

Enclosures

cc: State Director, Rural Development, Morgantown, WV
James C. Blankenship, II, Attorney at Law, Fayetteville, WV
John Stump, Steptoe & Johnson Bond Counsel, Charleston, WV
Jeffrey S. Feamster, CPA, Lewisburg, WV
Randy Bolton, Stafford Consultants, Inc., Princeton, WV