

# **CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT**

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

### **BOND RESOLUTION**

#### **Table of Contents**

| <b>Subject</b>                                                              | <b>Page</b> |
|-----------------------------------------------------------------------------|-------------|
| <br><b>ARTICLE I</b>                                                        |             |
| <b>STATUTORY AUTHORITY, FINDINGS<br/>AND DEFINITIONS</b>                    |             |
| Section 1.01 Authority for this Resolution                                  | 1           |
| Section 1.02 Findings and Determinations                                    | 1           |
| Section 1.03 Bond Legislation Constitutes Contract                          | 4           |
| Section 1.04 Definitions                                                    | 4           |
| <br><b>ARTICLE II</b>                                                       |             |
| <b>AUTHORIZATION OF ACQUISITION AND<br/>CONSTRUCTION OF THE PROJECT</b>     |             |
| Section 2.01 Authorization of Acquisition and Construction of the Project   | 9           |
| <br><b>ARTICLE III</b>                                                      |             |
| <b>AUTHORIZATION, TERMS, EXECUTION,<br/>REGISTRATION AND ISSUE OF BONDS</b> |             |
| 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 4.01a | Establishment of Funds and Accounts with Depository Bank  | 19 |
| Section 4.01b | Establishment of funds and Accounts with Commission       | 19 |
| Section 4.02  | Bond Proceeds; Series 2004 A Project Construction Account | 19 |
| Section 4.03  | Covenants of the Issuer as to System Revenues and Funds   | 20 |

**ARTICLE V**  
**GENERAL COVENANTS, ETC.**

|              |                                                    |    |
|--------------|----------------------------------------------------|----|
| Section 5.01 | General Statement                                  | 24 |
| Section 5.02 | Rates                                              | 24 |
| Section 5.03 | Sale of the System                                 | 24 |
| Section 5.04 | Issuance of Additional Parity Bonds or Obligations | 24 |
| Section 5.05 | Insurance and Bonds                                | 25 |
| Section 5.06 | Statutory Mortgage Lien                            | 26 |
| Section 5.07 | Events of Default                                  | 26 |
| Section 5.08 | Enforcement                                        | 27 |
| Section 5.09 | Fiscal Year; Budget                                | 27 |
| Section 5.10 | Compensation of Members of Governing Body          | 28 |
| Section 5.11 | Covenant to Proceed and Complete                   | 28 |
| Section 5.12 | Books and Records; Audits                          | 28 |
| Section 5.13 | Maintenance of System                              | 28 |
| Section 5.14 | No Competition                                     | 28 |

**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 |

CENTRAL HAMPSHIRE 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 CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,745,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF CENTRAL HAMPSHIRE 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. Central Hampshire Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Central Hampshire of said State, duly created pursuant to the Act by the County Commission of Central Hampshire.

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

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

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of approximately 25 miles of 8", 6", 4" and 2" waterlines, a 125 M gallon storage tank at South Branch Mountain, a tank control valve at Sunrise, a pressure reducing valve at Allen Hill Road and other improvements to serve a total of 222 new customers, including new radio telemetry equipment, a new office, garage and maintenance center, together with all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Bonds and Prior 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 \$5,560,000, of which not more than \$1,745,000 will be obtained from the proceeds of sale of the Series 2006 A Bonds herein authorized, \$1,870,000 will be obtained from a grant, a subsequent grant of \$55,000, and a second subsequent grant of \$440,000 will be obtained from the Purchaser, and \$1,450,000 will be obtained from a grant from the West Virginia Infrastructure and Jobs Development Council (the "Council").

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), in the aggregate principal amount of not more than \$1,745,000 (the "Series 2006 A Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2006 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions;

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

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

G. There are outstanding obligations of the Issuer which will rank prior and senior to the Series 2006 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1976, dated January 12, 1977, issued in the original aggregate principal amount of \$411,000, held by GMAC Commercial Mortgage (the "First Lien Bonds"). There are also outstanding obligations of the Issuer which will rank on a parity with the Series 2006 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1992, dated September 21, 1992, issued in the original aggregate principal amount of \$358,000 (the "Subordinate Bonds"), held by the United States Department of Agriculture, Rural Utilities Service. The First Lien Bonds and Subordinate Bonds are sometimes hereinafter collectively referred to as the "Prior Bonds". Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with or senior to the Series 2006 A Bonds as to liens, pledge and/or source of and security for payment.

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

H. It is in the best interest of the Issuer that the Series 2006 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated March 23, 1999, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2006 A Bonds, or will have so complied prior to issuance of the Series 2006 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

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

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

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

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

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

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

"Chairman" means the Chairman of the Governing Body.

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

"Consulting Engineer" means Cerrone & Associates, Inc., Wheeling, 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 FNB Bank, Romney, 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.

"First Lien Bonds" means the Water Revenue Bond, Series 1976, dated January 12, 1977, issued in the original aggregate principal amount of \$411,000, held by GMAC Commercial Mortgage.

"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 Central Hampshire Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Central Hampshire, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated March 23, 1999, and all amendments thereto, if any.

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

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

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

"Prior Bonds" means, collectively, the Water Revenue Bonds, Series 1992 (United States Department of Agriculture) and Water Revenue Bonds, Series 1977 of the Issuer described in Section 1.02G hereof.

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

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

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) 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 2006 A Bonds" means the Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Subordinate Bonds" means the Water Revenue Bond, Series 1992, dated September 21, 1992, issued in the original aggregate principal amount of \$358,000, held by the United States Department of Agriculture, Rural Utilities Service.

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

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

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

## ARTICLE II

### AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01.      Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$5,560,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2006 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

### ARTICLE III

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

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2006 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2006 A (United States Department of Agriculture)", are hereby authorized to be issued in a principal amount not to exceed \$1,745,000, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2006 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2006 A Bonds shall bear interest from the date of delivery, payable monthly at a rate not to exceed 4.375% per annum, and shall be sold for the par value thereof.

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

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

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

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

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

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

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

Section 3.06.      Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2006 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2006 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2006 A Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

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

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

(FORM OF BOND)

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

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

\$ \_\_\_\_\_

No. AR-1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), plus interest on the unpaid principal balance at the rate of \_\_\_\_\_% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 28 days following delivery of the Bond and continuing on the corresponding day of each month for the first \_\_\_\_\_ months after the date hereof, and \$ \_\_\_\_\_, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of \_\_\_\_\_ years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided herein below. The consideration here for 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 here for, 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 with or senior to 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 here for.

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 \_\_\_\_\_, 2006, authorizing issuance of this Bond (the "Resolution").

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

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

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

THIS BOND IS ISSUED SUBORDINATE AND JUNIOR TO THE LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING WATER REVENUE BONDS OF THE BORROWER:

(i) WATER REVENUE BONDS, SERIES 1976 , DATED JANUARY 12, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$411,000, AS DESCRIBED IN THE PRIOR RESOLUTIONS (THE "FIRST LIEN BOND").

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:

(ii) WATER REVENUE BONDS, SERIES 1992, DATED SEPTEMBER 21, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$358,000, AS DESCRIBED IN THE PRIOR RESOLUTIONS (THE "SUBORDINATE BONDS").

IN WITNESS WHEREOF, CENTRAL HAMPSHIRE 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 herein above written.

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

By: \_\_\_\_\_  
Its: Chairman, Public Service Board  
HC 63, Box 3580  
Romney, WV 26757

ATTEST:

By: \_\_\_\_\_  
Its: Secretary, Public Service Board

(Form of)

RECORD OF ADVANCES

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

(Form of Assignment)

ASSIGNMENT

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

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

\_\_\_\_\_  
In the presence of:  
  
\_\_\_\_\_

## ARTICLE IV

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

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

- (1)    Revenue Fund (established by the Prior Resolutions);
- (2)    Reserve Fund (established by Prior Resolution);
- (3)    Depreciation Reserve (established by Prior Resolutions); and
- (4)    Series 2006 A Project Construction Account.

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

- (1)    Series 2006 A Bonds Reserve Account.

Section 4.02.      Bond Proceeds; Series 2006 A Project Construction Account. The proceeds of the sale of the Series 2006 A Bonds shall be deposited upon receipt by the Issuer in the Series 2006 A Project Construction Account. The monies in the Series 2006 A Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Series 2006 A Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2006 A Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

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

Pending application as provided in this Section 4.02, money and funds in the Series 2006 A Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 2006 A Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

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

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

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

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

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

(2) The Issuer shall next, each month, before the due date of payment of the First Lien Bonds transfer from the Revenue Fund and remit to the National Finance Office, the amounts required by the resolution authorizing the First Lien Bonds to pay principal and interest.

(3) The Issuer shall next, on the date specified in the resolution authorizing the First Lien Bonds, transfer from the Revenue Fund and remit to the Depository Bank for deposit into the Reserve Fund for the First Lien Bonds, the amount required to be deposited therein.

(4) The Issuer shall next on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Reserve, the amounts required by the Prior Resolutions and a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Depreciation Reserve shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance herewith. Withdrawals and disbursements may be made from the Depreciation Reserve for replacements, emergency repairs, improvements or extensions to the System as long as the amounts required by the Prior Resolutions to be maintained therein are met; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Depreciation Reserve.

(5) The Issuer shall next, each month, before the due date of payment (i) transfer from the Revenue Fund and remit to the National Finance Office, the amounts required by the resolution authorizing the Subordinate Bonds; and (ii) to the National Finance Office, the amounts required to pay the interest on the Series 2006 A Bonds and to amortize the principal of the Series 2006 A Bonds over the life of the Bond issue. All payments with respect to principal of and interest on the Subordinate Bonds and the Series 2006 A Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(6) The Issuer shall next (i) on the date specified in the resolution authorizing the Subordinate Bonds, transfer from the Revenue Fund and remit to the Depository Bank for deposit into the reserve account for the Subordinate Bonds, the amount required to be deposited therein; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the

28th day of the 24th monthly anniversary of the Closing Date, and continuing on the 28th day of each month thereafter, remit to the Commission for deposit into the Series 2006 A Bonds Reserve Account, an amount equal to 10% of your monthly payment each month, until the amount in the Series 2006 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the Series 2006 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2006 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2006 A Bonds, or for mandatory prepayment of the Series 2006 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2006 A Bond Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

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

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

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

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

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

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

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

The Commission shall keep the monies in the Series 2006 A Bonds Reserve Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2006 A Bonds Reserve Account, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually 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 2006 A Bonds, provide evidence that there will be at least 219 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

#### ARTICLE V

#### GENERAL COVENANTS, ETC.

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

Section 5.02. Rates. So long as the Prior Bonds are outstanding, the rates set forth in the Prior Resolutions shall be applicable. 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 2006 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 2006 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. No Parity Bonds shall be issued after issuance of the Series 2006 A Bonds unless the provisions contained in the Prior Resolutions respecting issuance of Parity Bonds have been satisfied. No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

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

No additional 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 2006 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

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

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

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

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

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

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

Section 5.06.      Statutory Mortgage Lien. For the further protection of the Holder of the Series 2006 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, junior and subordinate to the First Lien Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2006 A Bonds.

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

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

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

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

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

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed

shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct; provided that, all rights and remedies of the Holders of the Subordinate Bonds shall be on a parity with the Series 2006 A Bonds and junior and subordinate to the First Lien Bonds.

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

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

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

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

Section 5.12.      Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records

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

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

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

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

## ARTICLE VI

### RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Commission Order of the Public Service Commission of West Virginia, entered on June \_\_\_\_, 2006, Case No. 05-0298-PWD-CN, which documents are incorporated herein by reference as a part hereof.

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

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

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

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

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

## ARTICLE VII

### MISCELLANEOUS

Section 7.01.      Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2006 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2006 A Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2006 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2006 A Bonds, the Issuer may not defease the Series 2006 A Bonds or otherwise provide for payment thereof by escrow or like manner.

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

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

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

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

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

Section 7.06.      Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and

shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

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

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

Adopted this 28th day of June, 2006.

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

By: \_\_\_\_\_

Its: Chairman

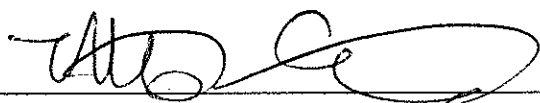
A handwritten signature in black ink, appearing to be "D. J. [unclear]", is written over a horizontal line. The signature is fluid and cursive.

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board  
of CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT on the 28th day of June, 2006.

Dated: June 30, 2006.

[SEAL]

  
Secretary

06.08.06  
135450.00002

**CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT**

**Water Revenue Bond, Series 1992**

**BOND RESOLUTION**

**Table of Contents**

| Subject                                                                       | Page |
|-------------------------------------------------------------------------------|------|
| <b>ARTICLE I</b>                                                              |      |
| STATUTORY AUTHORITY, FINDINGS<br>AND DEFINITIONS                              |      |
| Section 1.01 Authority for This Resolution                                    | 1    |
| Section 1.02 Findings and Determinations                                      | 1    |
| Section 1.03 Bond Legislation Constitutes Contract                            | 3    |
| Section 1.04 Definitions                                                      | 3    |
| Section 1.05 Compliance with Requirements of<br>1976 Bond and 1976 Resolution | 8    |
| <b>ARTICLE II</b>                                                             |      |
| AUTHORIZATION OF ACQUISITION AND<br>CONSTRUCTION OF THE PROJECT               |      |
| Section 2.01 Authorization of Acquisition and<br>Construction of the Project  | 9    |
| <b>ARTICLE III</b>                                                            |      |
| AUTHORIZATION, TERMS, EXECUTION,<br>REGISTRATION AND ISSUE OF BOND            |      |
| Section 3.01 Authorization of Bond                                            | 10   |
| Section 3.02 Description of Bond                                              | 10   |
| Section 3.03 Negotiability, Registration, Transfer<br>and Exchange of Bonds   | 10   |
| Section 3.04 Registrar                                                        | 11   |
| Section 3.05 Execution of Bond                                                | 11   |
| Section 3.06 Bonds Mutilated, Destroyed, Stolen or<br>Lost                    | 11   |
| Section 3.07 Bond Secured by Pledge of Net<br>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<br>with Depository Bank | 19 |
| Section 4.02 | Bond Proceeds; Project Construction<br>Account              | 19 |
| Section 4.03 | Covenants of the Issuer as to System<br>Revenues and Funds  | 20 |

**ARTICLE V**  
**GENERAL COVENANTS, ETC.**

|              |                                                       |    |
|--------------|-------------------------------------------------------|----|
| Section 5.01 | General Statement                                     | 26 |
| Section 5.02 | Rates                                                 | 26 |
| Section 5.03 | Sale of the System                                    | 26 |
| Section 5.04 | Issuance of Additional Parity Bonds<br>or Obligations | 26 |
| Section 5.05 | Insurance and Bonds                                   | 26 |
| Section 5.06 | Statutory Mortgage                                    | 28 |
| Section 5.07 | Events of Default                                     | 28 |
| Section 5.08 | Enforcement                                           | 29 |
| Section 5.09 | Fiscal Year; Budget                                   | 29 |
| Section 5.10 | Compensation of Members of Governing<br>Body          | 30 |
| Section 5.11 | Covenant to Proceed and Complete                      | 30 |
| Section 5.12 | Books and Records; Audits                             | 30 |
| Section 5.13 | Maintenance of System                                 | 30 |
| Section 5.14 | No Competition                                        | 30 |

**ARTICLE VI**  
**RATES, ETC.**

|              |                                                 |    |
|--------------|-------------------------------------------------|----|
| Section 6.01 | Initial Schedule of Rates and<br>Charges; Rules | 31 |
|--------------|-------------------------------------------------|----|

**ARTICLE VII**  
**MISCELLANEOUS**

|              |                                    |    |
|--------------|------------------------------------|----|
| Section 7.01 | Payment of Bond                    | 32 |
| Section 7.02 | Modification or Amendment          | 32 |
| Section 7.03 | Delivery of Bond No. R-1           | 32 |
| Section 7.04 | Severability of Invalid Provisions | 32 |
| Section 7.05 | Conflicting Provisions Repealed    | 32 |
| Section 7.06 | Table of Contents and Headings     | 32 |

|                     |                                        |           |
|---------------------|----------------------------------------|-----------|
| <i>Section 7.07</i> | <i>Covenant of Due Procedure, Etc.</i> | <i>33</i> |
| <i>Section 7.08</i> | <i>Effective Time</i>                  | <i>33</i> |
| <i>SIGNATURES</i>   |                                        | <i>33</i> |

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$358,000 WATER REVENUE BOND, SERIES 1992, OF CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT, THE BOND BEING JUNIOR AND SUBORDINATE TO THE OUTSTANDING 1976 BOND OF THE DISTRICT, TO FINANCE THE COST, NOT OTHERWISE PROVIDED, OF ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE DISTRICT AND APPURTENANT FACILITIES; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF  
CENTRAL HAMPSHIRE 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. Central Hampshire Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Hampshire County of said State, duly created pursuant to the Act by The County Commission of Hampshire County.

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

A. The Issuer now has a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of 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 improvements and extensions to the existing waterworks facilities of the Issuer, consisting of an intermediate water tank, a booster station, and approximately 7,000 feet of water line, 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 Issuer will purchase water from the City of Romney pursuant to a water purchase contract between the Issuer and said City. 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 (hereinafter defined) after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

D. The estimated maximum cost of the acquisition and construction of the Project will not exceed \$358,000 which will be obtained from the proceeds of sale of the Bond herein authorized.

E. It is necessary for the Issuer to issue its revenue bond in the principal amount of \$358,000 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 acquisition of any necessary property, real or personal, or interest therein; interest on the Bond 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 acquisition and construction of the Project and the financing authorized hereby; provided that, reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bond or for the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project.

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

G. There is outstanding an obligation of the Issuer which will rank senior and prior to the Bond as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1976, dated January 12, 1977 (the "1976 Bond"), issued in the original principal amount of \$411,000, and held by or through General Electric Capital Corporation.

Other than the 1976 Bond, there are no outstanding bonds or obligations which will rank prior to or on a parity with the Bond as to liens, pledge and/or source of and security for payment.

H. It is in the best interest of the Issuer that the Bond be sold to the United States Department of Agriculture, Farmers Home Administration (the "Purchaser"), pursuant to the terms and provisions of a Letter of Conditions dated May 23, 1991, and all amendments thereto (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 Bond, or will have so complied prior to issuance of the Bond, including among other things and without limitation, the consent and approval, pursuant to the Act and other applicable provisions of law, of the issuance of the Bond, the acquisition and construction of the Project and, if applicable, the imposition of rates and charges by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bond by those who shall be the registered owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Bondholder, 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 Bond.

Section 1.04. Definitions. 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" means the Water Revenue Bond, Series 1992, authorized hereby.

"1976 Bond" means the outstanding Water Revenue Bond, Series 1976, of the Issuer described in Section 1.02G hereof.

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

"Bonds" means, collectively, the Bond and the 1976 Bond.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Cerrone & Associates, Inc., Wheeling, 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 First National Bank of Romney, Romney, 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 year 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.

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

"Issuer" or "Borrower" means Central Hampshire Public Service District, in Hampshire County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means the Letter of Conditions of the Purchaser dated May 23, 1991, and all amendments thereto.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bonds and into the 1976 Reserve Fund, the 1992 Reserve Fund and the Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

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

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

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

(a) Government Obligations;

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

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government

National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

such collateral, and such collateral must be free of all claims by third parties;

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

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

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

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

"Resolutions" means, collectively, the 1976 Resolution and the Bond Legislation.

"1976 Resolution" means the resolution of the Issuer adopted January 6, 1977, authorizing the 1976 Bond.

"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.

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

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

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

Section 1.05. Compliance with Requirements of 1976 Bond and 1976 Resolution. The issuance of the Bond junior and subordinate to the 1976 Bond is permitted under the terms of the 1976 Bond and the 1976 Resolution, and the Issuer has complied with the terms of the 1976 Bond and the 1976 Resolution with respect to the issuance of the Bond or obtained a waiver thereof. The Issuer is not in default under the terms of the 1976 Bond, the 1976 Resolution or any document or agreement in connection therewith and has complied with all requirements of all the foregoing with respect to the issuance of the Bond.

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 \$358,000, 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 Bond hereby authorized shall be applied as provided in Article IV hereof.

### ARTICLE III

#### AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions of the Bond Legislation, the Bond of the Issuer, to be known as "Water Revenue Bond, Series 1992," is hereby authorized to be issued in the aggregate principal amount of not exceeding \$358,000 for the purpose of permanently financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bond. The Bond shall be issued in single form, numbered R-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Bond shall bear interest from the date of delivery, payable monthly at the rate of 5% per annum, and shall be sold for the par value thereof.

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

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Bond 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 Bond, and the right to principal of and stated interest on the Bond, 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 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar.

Whenever the Bond 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 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 Registrar with respect to such transfer.

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

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

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of the Government, 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 Bond shall initially be fully registered as to both principal and interest in the name of the United States of America, Farmers Home Administration. So long as the Bond shall be registered in the name of the United States of America, Farmers Home Administration, the address of the United States of America, Farmers Home Administration, for registration purposes shall be Post Office Box 678, Morgantown, West Virginia 26505, or such other address as shall be stated in writing to the Issuer by the United States of America, Farmers Home Administration.

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

substitution for the Bond 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 Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured forthwith by a lien on the Net Revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for, but such liens and pledge are junior and subordinate to the liens and pledge of the 1976 Bond. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due as herein provided.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond 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)

WATER REVENUE BOND, SERIES 1992

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

\$358,000

No. R-1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, Farmers Home Administration (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of THREE HUNDRED FIFTY-EIGHT THOUSAND DOLLARS (\$358,000), plus interest on the unpaid principal balance at the rate of 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 \$1,758, 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 Farmers Home Administration 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 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

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 Borrower, as Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the 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 Borrower authorizing issuance of this Bond (the "Resolution").

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

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

This Bond is junior and subordinate, as to liens on, pledge and source of and security for payment from such revenues, and in all other respects, to the 1976 Bond, defined and described in the Resolution.

IN WITNESS WHEREOF, CENTRAL HAMPSHIRE 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.

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT  
(Name of Borrower)

[CORPORATE SEAL]

\_\_\_\_\_  
(Signature of Executive Official)

Chairman, Public Service Board  
(Title of Executive Official)

Rt. 1, Box 1900  
(P. O. Box No. or Street Address)

Romney, West Virginia 26757  
(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) \$ |      | (6) \$  |      |
| (2) \$ |      | (7) \$  |      |
| (3) \$ |      | (8) \$  |      |
| (4) \$ |      | (9) \$  |      |
| (5) \$ |      | (10) \$ |      |
| TOTAL  |      | \$      |      |

[Form of Assignment]

ASSIGNMENT

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

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

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

\_\_\_\_\_  
In the presence of:

\_\_\_\_\_

## ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created and established with (or continued if previously established by the 1976 Resolution), and shall be held by, the Depository Bank separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the 1976 Resolution);
- (2) Reserve Fund (established by the 1976 Resolution and herein called the "1976 Reserve Fund");
- (3) Depreciation Reserve (established by the 1976 Resolution);
- (4) Project Construction Account; and
- (5) 1992 Reserve Fund.

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

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

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

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and

reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

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

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the 1992 Reserve Fund and the 1976 Reserve Fund, sums sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the respective Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of such payment, the Issuer further covenants with the holders of the Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions and shall be kept separate and distinct from all other funds of the Issuer and 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 and in accordance with the terms of the 1976 Resolution and this Bond Legislation:

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

(ii) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and pay to the National Finance Office designated in the 1976 Bond, the amounts required to pay the interest on and the principal of the 1976 Bond as provided therein.

(iii) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit with the Depository Bank in the 1976 Reserve Fund, 1/12th of 1/10th of the

maximum aggregate amount of principal and interest becoming due on the 1976 Bond in any year until the amount in the 1976 Reserve Fund equals the sum of \$25,000, which sum is herein called the "1976 Minimum Reserve." After the 1976 Minimum Reserve has been accumulated in the 1976 Reserve Fund, the Issuer shall monthly deposit into the 1976 Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the 1976 Bond and for payment of Operating Expenses of the System, as shall be required to maintain the 1976 Minimum Reserve in the 1976 Reserve Fund. Moneys in the 1976 Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the 1976 Bond to said National Finance Office as the same shall become due or for mandatory redemption of the 1976 Bond as in the 1976 Resolution and herein provided, and for no other purpose.

(iv) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, the Issuer shall next, on or before the due date of each installment on the Bond, transfer from the Revenue Fund and pay to the National Finance Office designated in the Bond (or such other place as may be subsequently designated pursuant to the Bond), the amounts required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond issue, and, thereafter, the Issuer shall transfer from the Revenue Fund and deposit in the 1992 Reserve Fund, 1/12th of 1/10th of the amount equal to the maximum amount of principal and interest becoming due on the Bond in any year, until the amount in the 1992 Reserve Fund equals such maximum amount (the "1992 Minimum Reserve"). After the 1992 Minimum Reserve has been accumulated in the 1992 Reserve Fund, the Issuer shall monthly deposit into the 1992 Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for the payments hereinabove provided, as shall be required to maintain the 1992 Minimum Reserve in the 1992 Reserve Fund. Moneys in the 1992 Reserve Fund shall be used solely to make up

any deficiency for monthly payments of the principal of and interest on the Bond to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bond, or for mandatory prepayment of the Bond as hereinafter provided, and for no other purpose; provided, however, that when the 1992 Minimum Reserve has been accumulated in the 1992 Reserve Fund, all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund and used for prepayment of the principal of the Bond.

(v) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$54,900, and thereafter, such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the 1976 Bond as the same become due, and next to restore to the 1976 Reserve Fund any sum or sums transferred therefrom, and, thereafter, to meet the principal, interest and reserve payments upon the Bond, on a subordinate basis, to the extent that moneys in the 1992 Reserve Fund are insufficient therefor. Thereafter, and provided that payments into the 1976 Reserve Fund and the 1992 Reserve Fund are current and in accordance with the foregoing provisions and provisions of the 1976 Resolution, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(vi) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the 1976 Bond outstanding and, thereafter, to prepay

installments on the Bond, or for any lawful purpose.

Whenever the moneys in the 1976 Reserve Fund shall be sufficient to prepay the 1976 Bond in full, it shall be the mandatory duty of the Issuer, anything to the contrary in the Resolutions notwithstanding, to direct the Depository Bank to prepay the 1976 Bond at the earliest practical date and in accordance with the applicable provisions of the 1976 Resolution and hereof.

Whenever the moneys in the 1992 Reserve Fund shall be sufficient to prepay the Bond in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bond at the earliest practical date and in accordance with applicable provisions hereof.

The Depository Bank is hereby and by the 1976 Resolution designated as the Fiscal Agent for the administration of the 1976 Reserve Fund, the 1992 Reserve Fund and the Depreciation Reserve as herein and therein provided, and all amounts required for the 1976 Reserve Fund, the 1992 Reserve Fund and the Depreciation Reserve will be deposited by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein and in the 1976 Resolution, together with written advice stating the amount remitted for deposit into each such fund.

The Revenue Fund, the 1991 Reserve Fund and the Depreciation Reserve shall constitute trust funds and shall be used only for the purposes and in the order provided herein and in the 1976 Resolution, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bond and the interest thereon, which lien shall be junior and subordinate to the lien of the holder of the 1976 Bond as to the Revenue Fund and the Depreciation Reserve, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers and to place the required amount in any of the funds or accounts as hereinabove and in the 1976 Resolution 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..

The Depository Bank shall keep the moneys in the 1976 Reserve Fund 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. The Depository Bank, at the direction of the Issuer, shall keep the moneys in the 1992 Reserve Fund invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided in the 1976 Resolution or herein, or unless otherwise required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Subject to the 1976 Resolution, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings upon moneys in the 1976 Reserve Fund and the 1992 Reserve Fund, so long as the respective 1976 Minimum Reserve and 1992 Minimum Reserve are on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

C. CHANGE OF DEPOSITORY BANK AND FISCAL AGENT. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank and Fiscal Agent if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank and Fiscal Agent. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser and shall give such other notice as required under, and in the manner provided in, the 1976 Resolution.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be at least 700 bona fide users upon the System on completion

of the Project, in full compliance with the requirements and conditions of the Purchaser.

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

F. INVESTMENT OF EXCESS BALANCES. The moneys in excess of the sum insured by FDIC in any of such funds or accounts with the Depository Bank shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of State and municipal funds under the laws of the State of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the 1992 Reserve Fund a sum sufficient to prepay the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

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 the payment and deposits on account of the 1976 Bond, plus Net Revenues equal to not less than 110% of the annual debt service on the Bond and sufficient to make the payments required herein into the 1992 Reserve Fund and the Depreciation Reserve and for 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 Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains 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 Bond.

(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) 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.

(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 Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage. For the further protection of the Holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bond, but junior and subordinate to the lien in favor of the holder of the 1976 Bond.

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

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

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

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

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

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

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

Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 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 Bond is 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 required under the order of the Public Service Commission of West Virginia, entered on September 10, 1992, Case No. 91-999-PWD-CN, which order is incorporated herein by reference as a part hereof, and any applicable prior order and/or tariff with respect to such rates and charges.

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

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 Bond No. R-1. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause Bond No. R-1, 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 Bond.

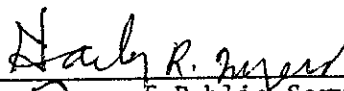
Section 7.05. Conflicting Provisions Repealed. All other resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47) or the 1976 Resolution.

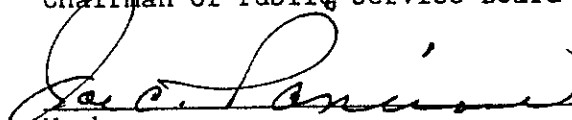
Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

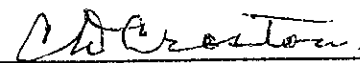
Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular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

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

Adopted: September 21, 1992.

  
\_\_\_\_\_  
Chairman of Public Service Board

  
\_\_\_\_\_  
Member

  
\_\_\_\_\_  
Member

09/15/92  
CHB.A2  
13545/91001

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

Water Revenue Bond, Series 1976

BOND RESOLUTION

Table of Contents

| <u>Subject</u>                                                                              | <u>Page</u> |
|---------------------------------------------------------------------------------------------|-------------|
| 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. Resolution to Constituta Contract                                             | 3           |
| Section 1.04. Definitions                                                                   | 3           |
| ARTICLE II - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION<br>AND ISSUE OF SERIES 1976 BOND |             |
| Section 2.01. Authorization of Series 1976 Bond                                             | 6           |
| Section 2.02. Description of Series 1976 Bond                                               | 6           |
| Section 2.03. Execution of Series 1976 Bond                                                 | 6           |
| Section 2.04. Bond Mutilated, Destroyed, Stolen or Lost                                     | 6           |
| Section 2.05. Bond Secured by Pledge of Revenues                                            | 7           |
| Section 2.06. Form of Series 1976 Bond                                                      | 7           |
| Form of Bond                                                                                | 8           |
| Record of Advances                                                                          | 12          |
| ARTICLE III - SERIES 1976 BOND PROCEEDS; REVENUES AND APPLICATION<br>THEREOF                |             |
| Section 3.01. Series 1976 Bond Proceeds; Project<br>Construction Account                    | 13          |
| Section 3.02. Covenants of the District as to Revenues<br>and Funds                         | 14          |
| ARTICLE IV - GENERAL COVENANTS                                                              |             |
| Section 4.01. General Statement                                                             | 18          |
| Section 4.02. Rates                                                                         | 18          |
| Section 4.03. Sale of the System                                                            | 18          |
| Section 4.04. Issuance of Additional Parity Bonds                                           | 18          |
| Section 4.05. Insurance and Bonds                                                           | 18          |
| Section 4.06. Statutory Mortgage                                                            | 20          |
| Section 4.07. Events of Default                                                             | 20          |
| Section 4.08. Enforcement                                                                   | 21          |
| Section 4.09. Fiscal Year; Budget                                                           | 21          |
| Section 4.10. Compensation of Board Members                                                 | 22          |
| Section 4.11. Covenant to Proceed and Complete                                              | 22          |
| Section 4.12. Books and Records                                                             | 22          |
| Section 4.13. Maintenance of System                                                         | 23          |
| Section 4.14. No Competition                                                                | 23          |
| Section 4.15. Concerning Arbitrage                                                          | 23          |

ARTICLE V - RATES, ETC.

|                                                            |    |
|------------------------------------------------------------|----|
| Section 5.01. Initial Schedule of Rates and Charges; Rules | 24 |
|------------------------------------------------------------|----|

ARTICLE VI - MISCELLANEOUS

|                                                    |    |
|----------------------------------------------------|----|
| Section 6.01. Filing Under Uniform Commercial Code | 27 |
| Section 6.02. Delivery of Bond No. 1               | 27 |
| Section 6.03. Severability of Invalid Provision    | 27 |
| Section 6.04. Conflicting Provisions Repealed      | 27 |
| Section 6.05. Table of Contents and Headings       | 27 |
| Section 6.06. Effective Time                       | 28 |

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$411,000 WATER REVENUE BOND, SERIES 1976, OF CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT TO FINANCE CONSTRUCTION OF A PUBLIC WATERWORKS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND AND FOR A STATUTORY MORTGAGE LIEN UPON THE SYSTEM IN FAVOR OF THE HOLDER OF THE BOND; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF CENTRAL HAMPSHIRE 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 Article 13A, Chapter 16 of the West Virginia Code and other applicable provisions of law. Central Hampshire Public Service District (herein called the "District") is a public service district created pursuant to said Article 13A by the County Commission of Hampshire County.

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

(A) The District does not now have a waterworks system and water supply facilities within the District are inadequate to serve the needs of the District and all or most of such facilities will be abandoned upon completion of the Project.

(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 new waterworks system of the District consisting of water mains, a pumping station and two 100,000 gallon tanks, water to be purchased from the Town of Romney,

with all necessary appurtenant facilities (herein called 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 of the District (herein called the "Board").

(C) It is necessary for the District to issue its revenue bond in the principal amount of \$411,000 to finance the cost of such construction in the manner hereinafter provided.

(D) The estimated maximum cost of the construction of the Project is \$1,219,000, of which \$411,000 will be obtained from the proceeds of sale of the Series 1976 Bond herein authorized, \$529,000 from a grant from the Government, and \$279,000 from a grant from Appalachian Regional Commission.

(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 Series 1976 Bond 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 obligations of the District which will rank on a parity with or superior to the Series 1976 Bond as to lien and 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

"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 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.

"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 the Series 1976 Bond or of any part of such series.

"Project" shall have the meaning stated in Section 1.02(8) above.

"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 new waterworks system of the District originally consisting of the Project, and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with such waterworks; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the waterworks after completion of the Project.

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 SERIES  
1976 BOND

Section 2.01. Authorization of Series 1976 Bond. Subject and pursuant to the provisions of this Resolution, the Bond of the District, to be known as "Water Revenue Bond, Series 1976", is hereby authorized to be issued in the aggregate principal amount of not exceeding Four Hundred Eleven Thousand Dollars (\$411,000) for the purpose of financing the cost of the construction and acquisition of the Project.

Section 2.02. Description of Series 1976 Bond. The Series 1976 Bond shall be issued in single form, No. 1, and shall be dated on the date of delivery. The Series 1976 Bond shall bear interest from date, payable monthly at the rate of five per centum (5%) per annum, and shall be sold for the par value thereof.

The Series 1976 Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District, and shall be payable as provided in the bond form hereinafter set forth.

Section 2.03. Execution of Series 1976 Bond. The Series 1976 Bond 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. The Series 1976 Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Series 1976 Bond shall hold the proper office on the Board, although at the date of such Series 1976 Bond such person may not have held such office or may not have been so authorized.

Section 2.04. Bond Mutilated, Destroyed, Stolen or Lost. In case the Series 1976 Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Series 1976 Bond of like tenor as the Series 1976 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 1976

Bond or in lieu of and substitution for the Series 1976 Bond destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof and complying with such other reasonable regulations and conditions as the District may require. The Series 1976 Bond so surrendered shall be canceled and held for the account of the District. If the Series 1976 Bond shall have matured or be about to mature, instead of issuing a substitute Series 1976 Bond the District may pay the same, and, if such Series 1976 Bond be destroyed, stolen or lost, without surrender thereof.

Section 2.05. Bond Secured by Pledge of Revenues. The payment of the debt service of the Series 1976 Bond shall be secured forthwith by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 1976 Bond, and to make the payments into the Bond Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1976 Bond as the same become due.

Section 2.06. Form of Series 1976 Bond. Subject to the provisions of this Resolution, the text of the Series 1976 Bond 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 Bond)

WATER REVENUE BOND, SERIES 1976

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

\$411,000

No. 1

Date: \_\_\_\_\_

FOR VALUE RECEIVED, CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), 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 Four Hundred Eleven Thousand Dollars (\$411,000), plus interest on the unpaid principal balance at the rate of five per cent (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only on the first day of each month for the first twenty-four months after the date hereof and \$2,019, covering principal and interest, thereafter on the first day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, 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 reverse 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.

6)

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 Farmers Home Administration 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

of the Farmers Home Administration and to its future regulations not  
inconsistent with the express provisions hereof.

[CORPORATE SEAL]

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT  
(Name of Borrower)

\_\_\_\_\_  
(Signature of Executive Official)

Chairman, Public Service Board  
(Title of Executive Official)

ATTEST:

\_\_\_\_\_  
(Post Office Box No. or Street Address)

Augusta, West Virginia 26704  
(City, State and Zip Code)

\_\_\_\_\_  
(Signature of Attesting Official)

Secretary, Public Service Board  
(Title of Attesting Official)

# RECORD OF ADVANCES

| AMOUNT | DATE | AMOUNT  | DATE |
|--------|------|---------|------|
| (1) \$ |      | (6) \$  |      |
| (2) \$ |      | (7) \$  |      |
| (3) \$ |      | (8) \$  |      |
| (4) \$ |      | (9) \$  |      |
| (5) \$ |      | (10) \$ |      |

TOTAL \_\_\_\_\_

Pay to the Order of \_\_\_\_\_

UNITED STATES OF AMERICA  
FARMERS HOME ADMINISTRATION

By \_\_\_\_\_

\_\_\_\_\_  
(Title)

ARTICLE III

SERIES 1976 BOND PROCEEDS; REVENUES  
AND APPLICATION THEREOF

Section 3.01. Series 1976 Bond Proceeds; Project Construction Account. All moneys received from the sale of the Series 1976 Bond shall be deposited on receipt by the District in First National Bank of Romney, Romney, West Virginia, a member of Federal Deposit Insurance Corporation (herein called "FDIC"), in a special account hereby created and designated as "Central Hampshire 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 FDIC 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.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and deposit in the Bond 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 Series 1976 Bond on such interest payment date if moneys in the Bond Fund are insufficient for such purpose.

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 be disposed of in accordance with the regulations of the Government.

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 Reserve Fund, hereinafter established, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 1976 Bond remaining unpaid, together with interest accrued and to accrue thereon, the District further covenants with the Government 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 FDIC, which Fund, known as the "Revenue Fund", is hereby established with said Bank. 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.

(2) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and pay to the National Finance Office designated in the Series 1976 Bond the amounts required to pay the interest on and the principal of the Series 1976 Bond as provided therein.

(3) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit with the said Bank in the Reserve Fund hereby established with said Bank, 1/12 of 1/10 of the maximum amount of principal and interest becoming due on the Series 1976 Bond

in any year until the aggregate amount in the Reserve Fund equals the sum of \$25,000, which sum is herein called the "Minimum Reserve". After the Minimum Reserve has been accumulated in the Reserve Fund, the District shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Series 1976 Bond and for payment of operating expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 1976 Bond to said National Finance Office as the same shall become due or for mandatory redemption of the Series 1976 Bond as hereinafter provided, and for no other purpose.

(4) The District shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit in the Depreciation Reserve hereby established with said Bank, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of \$37,000 and thereafter, such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Series 1976 Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the District and used for extraordinary repairs and for replacements of equipment and improvements for 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 prepay installments of the Series 1976 Bond outstanding, or for any lawful purpose.

6

Whenever the moneys in the Reserve Fund shall be sufficient to prepay the Series 1976 Bond in full, it shall be the mandatory duty of the District, anything to the contrary in this Resolution notwithstanding, to direct the said Bank to prepay the Series 1976 Bond at the earliest practical date and in accordance with applicable provisions hereof.

The aforesaid Bank (and any successor appointed by the District) is hereby designated as the Fiscal Agent for the administration of the Reserve Fund as herein provided, and all amounts required therefor will be deposited by the District upon transfers of funds from the Revenue Fund at the times provided herein.

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 Government shall have a lien thereon for further securing payment of the Series 1976 Bond and the interest thereon, but the aforesaid Bank shall not be a trustee as to such funds. The moneys in excess of the sum insured by FDIC in any of such funds 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 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.

The Fiscal Agent shall keep the moneys in the Reserve Fund 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. Earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Fiscal Agent.

(C) Change of Fiscal Agent. The District may designate another bank insured by FDIC as Fiscal Agent if the aforesaid Bank should cease for any reason to serve or if the Board determines by resolution that said Bank or its successor should no longer serve as Fiscal Agent. Upon any such change, the Board will cause notice of the change to be sent by registered or certified mail to the Government.

(D) Additional User Contracts. The District shall, prior to delivery of the Series 1976 Bond obtain user agreements from not less than 400 users and shall collect from such 400 users and deposit in the Project Construction Account not less than \$8,000, based on a tap fee of \$20.

## ARTICLE IV

### GENERAL COVENANTS

Section 4.01. General Statement. So long as the Series 1976 Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Series 1976 Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the District and the Government.

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 annual debt service on the Series 1976 Bond and to make the payments required herein into the Reserve Fund and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 4.03. Sale of the System. The System will not be sold without the prior written consent of the Government so long as the Series 1976 Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 4.04. Issuance of Additional Parity Bonds. No additional parity Bonds payable out of the revenues of the System shall be issued after the issuance of the Series 1976 Bond pursuant to this Resolution except with the prior written consent of the Government.

Section 4.05. Insurance and Bonds. The District hereby covenants and agrees that, so long as the Series 1976 Bond remains 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 structures of the System 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 that each contractor dealing directly with the District ("prime contractor"), 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 \$300,000 for persons injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 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 \$100,000 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 prime contractor, and such payment bonds 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, 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, 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 Series 1976 Bond is outstanding, the District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District, and during such construction will require each prime contractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 4.06. Statutory Mortgage. For the further protection of the Government, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 1976 Bond.

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

(A) Failure to make payment of any monthly amortization installment into the Bond Fund at the date specified for payment thereof;

(B) Failure duly and punctually to observe or perform any of

the covenants, conditions and agreements on the part of the District contained in the Series 1976 Bond or in this Resolution, or violation of or failure to observe any provision of any pertinent law, provided any such failure or violation, excluding that covered in (A) above in this Section, shall continue for a period of thirty days after written notice shall have been given to the District by the Government specifying such failure or violation and requiring the same to be remedied.

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

Upon application by the Government, 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 4.09. Fiscal Year; Budget. While the Series 1976 Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each fiscal year, the District agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of 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 delivered to the Government by the beginning of each fiscal year.

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

Section 4.10. 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 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 of this resolution.

Section 4.11. Covenant to Proceed and Complete. The District hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof 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, subject to permitted changes.

Section 4.12. 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 the

Government 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 and shall mail a copy of such audit report to the Government.

Section 4.13. 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 the Series 1976 Bond is outstanding.

Section 4.14. No Competition. The District 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 District or within the territory served by the System.

Section 4.15. Concerning Arbitrage. It is not reasonably expected that the proceeds of sale of the Series 1976 Bond will be invested in such a way as to violate the operating rules in the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(d) of the Internal Revenue Code of 1954, as amended.

## ARTICLE V

### RATES, ETC.

#### Section 5.01. Initial Schedule of Rates and Charges; Rules.

A. The schedule of rates and charges for the services and facilities of the System shall be as follows, subject to change consonant with the provisions of this Resolution:

#### AVAILABILITY OF SERVICE

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

#### RATES FOR WATER USED PER MONTH

|          |                |                           |
|----------|----------------|---------------------------|
| First    | 2,000 gallons  | \$ 3.00 per 1,000 gallons |
| Next     | 3,000 gallons  | 2.50 per 1,000 gallons    |
| Next     | 5,000 gallons  | 2.20 per 1,000 gallons    |
| Next     | 10,000 gallons | 1.70 per 1,000 gallons    |
| All over | 20,000 gallons | 1.00 per 1,000 gallons    |

#### MINIMUM CHARGE

No monthly bill shall be rendered for less than the following amounts, based on size of meter:

| <u>Meter Size</u> | <u>Amount</u> |
|-------------------|---------------|
| 5/8" Meter        | \$ 6.00       |
| 3/4" Meter        | 8.64          |
| 1" Meter          | 15.36         |
| 1 1/2" Meter      | 34.02         |
| 2" Meter          | 61.44         |
| 3" Meter          | 138.24        |
| 4" Meter          | 245.76        |
| 6" Meter          | 552.96        |

#### DELAYED PAYMENT PENALTY

The above tariff is net. Any account not paid in full within thirty (30) days of date of bill, ten per cent (10%) will be added to the amount due. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

#### DISCONNECT FOR NON-PAYMENT

The utility may disconnect service to any customer for non-payment of bill but must first make a diligent effort to induce the customer to pay the same and no discontinuance shall be effected until after at least twenty-four (24) hours written notice to the customer.

#### RECONNECTION FEES

Service shall not be restored until all amounts in arrears, including penalties plus a reconnection fee of \$15.00 have been paid.

#### CONNECTION CHARGE

Prior to completion of construction adjacent to user's property.

\$ 20.00

Subsequent to completion of construction adjacent to user's property.

150.00

#### MULTIPLE OCCUPANCY AND TRAILER COURTS

##### Multiple Occupancy

On apartment building or other multiple occupancy buildings provided with a master meter, no bill shall be rendered for less than Five Dollars and Forty Cents (\$5.40) multiplied by the number of units on the site at the time the meter is read, or the actual charge for the size of meter installed, whichever is greater. Motels and hotels shall pay according to the size of meter installed.

##### Trailer Courts

On house trailer courts provided with a master meter, no bill shall be rendered for less than Five Dollars and Forty Cents (\$5.40) multiplied by the number of units situated on the court site at the time the meter is read or the actual charge for the size meter installed, whichever is greater. House trailer (as hereinabove) shall include both mobile and immobile units.

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

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.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Series 1976 Bond, 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 Commission of said County.

Section 6.02. Delivery of Bond No. 1. The Chairman, Secretary and Treasurer of the Board are hereby authorized and directed to cause Bond No. 1, hereby awarded to the Government pursuant to agreement, to be delivered to the Government as soon as the Government will accept such delivery.

Section 6.03. 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 Series 1976 Bond.

Section 6.04. 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 6.05. 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 6.06. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted January 6<sup>th</sup>, 1977.

Alton R. Mose  
Chairman of Public Service Board

James R. Styles  
Member

Carl W. McBride  
Member



# West Virginia Infrastructure & Jobs Development Council

**Public Members:**

James D. Williams, Chairman  
St. Albans  
James L. Harrison, Sr., Vice Chairman  
Princeton  
Dwight Calhoun  
Petersburg  
William J. Harman  
Grafton

980 One Valley Square  
Charleston, West Virginia 25301  
Telephone: (304) 558-4607  
Facsimile: (304) 558-4609

Katy Mallory, P.E.  
Executive Secretary

February 2, 2000

Scott Shoemaker, Chairman  
Central Hampshire Public Service District  
HC-63, Box 3580  
Romney, WV 26757

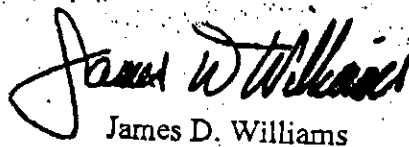
RE: Central Hampshire Public Service District  
Water Extension Project  
95W-168

Dear Mr. Shoemaker:

The West Virginia Infrastructure and Jobs Development Council (the "Council"), at its February 2, 2000 meeting, voted to offer the Central Hampshire Public Service District (the "District") a binding commitment for an Infrastructure Fund grant of \$1,250,000 to complete the financing of the above referenced project. The Council also determined that in order to receive the proposed binding commitment, the District must adhere to a certain project schedule. Additionally, any binding commitment that is issued will be contingent upon the availability of funds in the Infrastructure Fund.

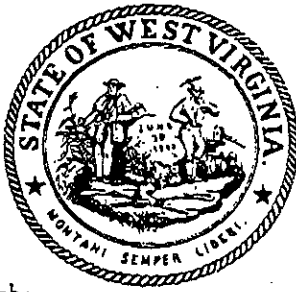
Please contact Katy Mallory at the above telephone number to establish the necessary project schedule and finalize the proposed binding commitment.

Sincerely,

  
James D. Williams

JDW/r

cc: Debbie Legg, WVDO  
Randy Plum, RUS  
Manning Frymier, Cerrone  
Kenneth Dyche, Region 8



# West Virginia Infrastructure & Jobs Development Council

Public Members:

James D. Williams, Chairman  
St. Albans  
James L. Harrison, Sr., Vice Chairman  
Princeton  
Lloyd P. Adams, P.E.  
Wheeling  
Sheirl L. Fletcher  
Morgantown

980 One Valley Square  
Charleston, West Virginia 25301  
Telephone: (304) 558-4607  
Facsimile: (304) 558-4609

Susan J. Riggs, Esquire  
Executive Secretary

October 20, 1998

Harley Myers, Chairman  
Central Hampshire Public Service District  
HC-63 Box 3580  
Romney, WV 26757

Re: Water System Extension Project 95W-168

Dear Mr. Myers:

The West Virginia Infrastructure and Jobs Development Council (Council), at its October 7, 1998 meeting, reviewed the Central Hampshire Public Service District's (District) request to revise the previously recommended funding package for the above-referenced project to permit the District to pursue funding from the Small Cities Block Grant program in the amount of \$1,250,000, and the USDA Rural Utilities Service program in the amount of \$2,274,000 in lieu of the pending Infrastructure Fund request.

Due to the limited funds in the Infrastructure Fund, the Council believes it reasonable to recommend the revised funding package as requested by the District. The Council will record this funding recommendation as an alternative to the original recommendation. **Please note that this letter does not constitute funding approval from these agencies.**

If you have any questions regarding this matter, please contact Susan J. Riggs at (304) 558-4607.

Sincerely,

James D. Williams

JDW/bjh

cc: Katy Mallory, P.E.  
Debbie Legg  
Jim Anderson



STATE OF WEST VIRGINIA  
WATER DEVELOPMENT AUTHORITY

1201 DUNBAR AVENUE  
DUNBAR, WV 25064

Telephone (304) 558-3812  
Telecopier (304) 558-0298

February 9, 1996

Mr. Harley R. Myers, Chairman  
Central Hampshire Public Service District  
HC-63, Box 3580  
Romney WV 26757

PRELIMINARY APPLICATION -  
CENTRAL HAMPSHIRE PSD [WATER PROJECT]

The West Virginia Infrastructure and Jobs Development Council (the "Council") has reviewed the Preliminary Application for the above-referenced project and has determined that the project is technically feasible within the guidelines of the Act. (See attached Water Assessment Committee comments.)

The Council recommends that the Central Hampshire PSD pursue Rural Economic and Community Development ("RECD") funding with the following understanding: When Infrastructure Fund moneys become available, the Council's recommendation will be made on the basis of determining an amount of RECD funding in combination with an amount of Infrastructure Fund assistance necessary to arrive at a reasonable user rate. (Although the Central Hampshire PSD may be eligible for Infrastructure Fund assistance, the grant of \$2,467,000 proposed in the preliminary application exceeds the amount the project can receive by law.) This letter does not constitute funding approval by the Council or Rural Economic and Community Development.

If you have any questions, please contact Daniel Yonkosky, Director of the Water Development Authority, who serves as chairman of the Council's Funding Committee.

*for Daniel B. Yonkosky*  
RUSSELL L. ISAACS, CHAIRMAN

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

c Bobby Lewis, USDA, Rural Economic and Community Development

WEST

|                                          |                |              |
|------------------------------------------|----------------|--------------|
| Post-It™ brand fax transmittal memo 7671 |                | # of pages > |
| To Joe Marakovich                        | From Doug Oldi |              |
| Co.                                      | Co.            |              |
| Dept.                                    | Phone #        |              |
| Fax # 340-0325                           | Fax #          |              |

Telephone (304) 558-3612  
Telecopier (304) 558-0299

September 11, 1995

Mr. Kenneth Dyche, Executive Director  
Region VIII Planning and Development Council  
P.O. Box 849  
Petersburg WV 26847

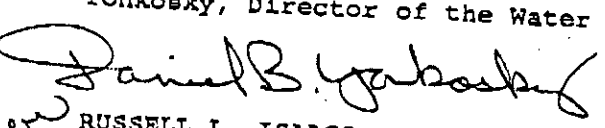
WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL PRELIMINARY APPLICATION -  
CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT (SEWER PROJECT)

The West Virginia Infrastructure and Jobs Development Council (the "Council") reviewed the preliminary application for the above-referenced project and determined that the project is technically feasible within the guidelines of the Act (see attached Sewer Assessment Committee's comments).

The Council recommends that the Central Hampshire Public Service District pursue a State Revolving Fund loan in the amount of \$2,525,000 to secure a portion of the \$6,250,000 in financing needed for this project. This letter does not constitute funding approval by the Division of Environmental Protection.

This project may be eligible for financial assistance from the Infrastructure Fund. Until the Infrastructure General Obligation Bonds have been approved by the State Supreme Court of Appeals, however, the Governor cannot issue the bonds. The Council cannot predict if or when the Infrastructure General Obligation Bonds will be issued, and therefore, when moneys will be available in the Infrastructure Fund. For this reason, a recommendation regarding the remaining portion of funding needed for this project is being deferred pending availability of Infrastructure Fund moneys.

If, after considering how this delay will affect your project, you believe that you must proceed without the Council's financial assistance, please notify Daniel B. Yonkosky, Director of the Water Development Authority, at the above address.

  
RUSSELL L. ISAACS - CHAIRMAN

Attachments

c Mike Johnson, DEP



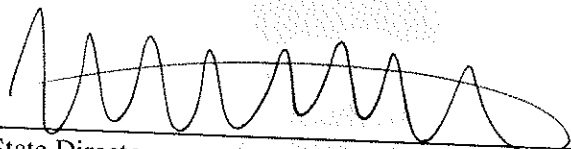
**United States Department of Agriculture**  
**Rural Development**  
West Virginia State Office

June 30, 2006

Central Hampshire Public Service District  
Water Revenue Bonds, Series 2006 A  
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the entire outstanding aggregate principal amounts of the Series 1992 Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2006 A (United States Department of Agriculture) (the "Series 2006 A Bonds"), in the original aggregate principal amount of not to exceed \$1,745,000 by Central Hampshire Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Series 2006 A Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 1992, dated September 21, 1992 (the "Series 1992 Bonds"); (ii) waives any requirements imposed by the Series 1992 Bonds or the resolutions authorizing the Series 1992 Bonds (the "Prior Resolutions"), regarding the issuance of parity bonds which are not met by the Series 2006 A Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolutions by the Resolution, if any.

  
\_\_\_\_\_  
State Director

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

Committed to the future of rural communities.

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

## GRANT AGREEMENT

This Grant Agreement entered into by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority"), on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council") and CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT (the "Governmental Agency").

### RECITALS

WHEREAS, the Council has authorized the Authority to make a grant to the Governmental Agency in the amount not to exceed \$1,450,000 (the "Grant") for the purposes of the design, acquisition or construction of a project for which a preliminary application has been submitted and approved by the Council;

WHEREAS, the Governmental Agency wishes to accept the Grant upon such terms and conditions as are hereinafter set forth for the purposes of designing, acquiring or constructing the project described in Exhibit A attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Grant Agreement sets forth the Council, the Authority and the Governmental Agency's understandings and agreements with regard to the Grant.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Authority and the Governmental Agency hereby agree as follows:

### TERMS

1. Prior to the distribution of the Grant, the Governmental Agency shall provide the Authority with a Project budget and an anticipated monthly draw schedule reflecting the receipt dates and amounts from other funding sources.
2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Authority.

3. The monthly requisition will also set forth (i) the amounts requested for that requisition period from all other funding agencies, and (ii) the amounts advanced for the Project to date from all other funding agencies.

4. The Governmental Agency will use the proceeds of the Grant only for the purposes specifically set forth in Exhibit A.

5. The Governmental Agency shall comply with and is bound by the Council's rules set forth as Title 167, Series 1 and more particularly Section 5.9 with respect to the sale of the Project.

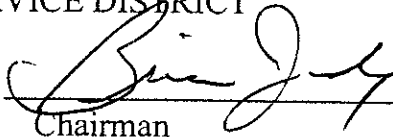
6. The Governmental Agency acknowledges that the Grant may be reduced, from time to time, to reflect actual Project costs and availability of other funding.

7. The Governmental Agency shall list the Grant provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project.

8. This Grant Agreement shall be governed by the laws of the State of West Virginia.

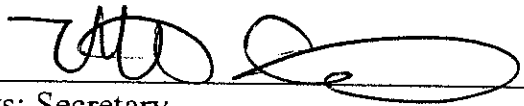
IN WITNESS WHEREOF, the parties hereto have caused this Grant Agreement to be executed by the respective duly authorized officers as of the date executed below by the Authority.

CENTRAL HAMPSHIRE PUBLIC  
SERVICE DISTRICT

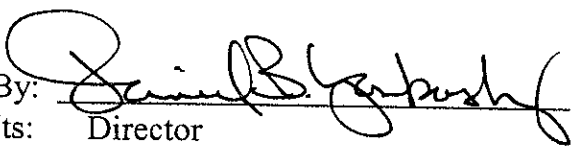
By:   
Its: Chairman  
Date: \_\_\_\_\_

(SEAL)

Attest:

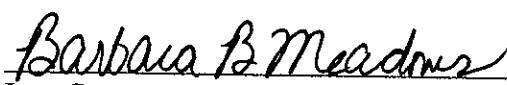
  
Its: Secretary

WEST VIRGINIA WATER  
DEVELOPMENT AUTHORITY

By:   
Its: Director  
Date: June 30, 2006

(SEAL)

Attest:

  
Its: Secretary-Treasurer

## Exhibit A

### Project Description

The Project consists of the acquisition and construction of certain additions, improvements and extensions to the existing waterworks facilities of the Governmental Agency, consisting of approximately 25 miles of 8", 6", 4" and 2" waterlines, a 125 M gallon storage tank at South Branch Mountain, a tank control valve at Sunrise, a pressure reducing valve at Allen Hill Road and other improvements to serve a total of 222 new customers, including new radio telemetry equipment, a new office, garage and maintenance center, together with all necessary appurtenant facilities (the "Project").

# SPECIMEN

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS, SERIES 2006 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE)

\$1,745,000

No. AR-1

Date: June 30, 2006

FOR VALUE RECEIVED, CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION SEVEN HUNDRED FORTY-FIVE THOUSAND DOLLARS (\$1,745,000), plus interest on the unpaid principal balance at the rate of 4.375% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 28 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 \$7,870,000, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid on the 28th day of the month, 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided herein below. The consideration here for 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 here for, 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 with or senior to 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 here for.

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted June 28, 2006, authorizing issuance of this Bond (the "Resolution").

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

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

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

THIS BOND IS ISSUED SUBORDINATE AND JUNIOR TO THE LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING WATER REVENUE BONDS OF THE BORROWER:

(I) WATER REVENUE BONDS, SERIES 1976, DATED JANUARY 12, 1977, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$411,000, AS DESCRIBED IN THE PRIOR RESOLUTIONS (THE "FIRST LIEN BOND").

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:

(ii) WATER REVENUE BONDS, SERIES 1992, DATED SEPTEMBER 21, 1992, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$358,000, AS DESCRIBED IN THE PRIOR RESOLUTIONS (THE "SUBORDINATE BONDS").

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, CENTRAL HAMPSHIRE 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 herein above written.

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

By:   
Its: Chairman, Public Service Board  
HC 63, Box 3580  
Romney, WV 26757

ATTEST:

By:   
Its: Secretary, Public Service Board

# RECORD OF ADVANCES

| AMOUNT |           | DATE |               | AMOUNT |    | DATE |  |
|--------|-----------|------|---------------|--------|----|------|--|
| (1)    | \$319,900 |      | June 30, 2006 | (19)   | \$ |      |  |
| (2)    | \$        |      |               | (20)   | \$ |      |  |
| (3)    | \$        |      |               | (21)   | \$ |      |  |
| (4)    | \$        |      |               | (22)   | \$ |      |  |
| (5)    | \$        |      |               | (23)   | \$ |      |  |
| (6)    | \$        |      |               | (24)   | \$ |      |  |
| (7)    | \$        |      |               | (25)   | \$ |      |  |
| (8)    | \$        |      |               | (26)   | \$ |      |  |
| (9)    | \$        |      |               | (27)   | \$ |      |  |
| (10)   | \$        |      |               | (28)   | \$ |      |  |
| (11)   | \$        |      |               | (29)   | \$ |      |  |
| (12)   | \$        |      |               | (30)   | \$ |      |  |
| (13)   | \$        |      |               | (31)   | \$ |      |  |
| (14)   | \$        |      |               | (32)   | \$ |      |  |
| (15)   | \$        |      |               | (33)   | \$ |      |  |
| (16)   | \$        |      |               | (34)   | \$ |      |  |
| (17)   | \$        |      |               | (35)   | \$ |      |  |
| (18)   | \$        |      |               | (36)   | \$ |      |  |
| TOTAL  |           |      |               | \$     |    |      |  |

(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: \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

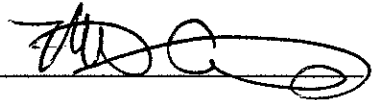
In the presence of:

\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS, SERIES 2006 A  
(UNITED STATES DEPARTMENT OF AGRICULTURE)

REGISTRATION BOOKS

(No writing on these Books except by the Issuer as Registrar)

| Note No. | Date of<br>Registration | In Whose Name<br>Registered | Signature of<br>Recorder<br>of Registrar                                             |
|----------|-------------------------|-----------------------------|--------------------------------------------------------------------------------------|
| AR-1     | June 30, 2006           | United States of America    |  |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |
|          |                         |                             |                                                                                      |

June 30, 2006

Central Hampshire Public Service District  
Water Revenue Bonds, Series 2006 A  
(United States Department of Agriculture)

Central Hampshire Public Service District  
Romney, West Virginia

United States Department of Agriculture  
Parkersburg, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Central Hampshire Public Service District in Central Hampshire, West Virginia (the "Issuer"), of its \$1,745,000 Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated the date hereof (the "Bonds"), pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution of the Issuer duly adopted June 28, 2006, (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Resolution creates a valid lien on the funds pledged by the Resolution for the security of the Bonds on a parity with the Issuer's Water Revenue Bonds, Series 1992, dated September 21, 1992, issued in the original aggregate principal amount of \$358,000 (the "Series 1992 Bonds"), and junior and subordinate to the Water Revenue Bonds, Series 1976, dated January 12, 1977, issued in the original aggregate principal amount of \$411,000 (the "Series 1977 Bonds") (collectively, the "Prior Bonds").

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

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

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

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

Very truly yours,

  
STEPTOE & JOHNSON PLLC

**THOMPSON & WEATHERHOLT, P.L.L.C.**

ATTORNEYS AT LAW  
NATIONAL BUILDING  
TWO WEST MAIN STREET  
P.O. BOX 884  
ROMNEY, WV 26757-0884

LOUDOUN L. THOMPSON  
JEFFREY N. WEATHERHOLT

PH: (304) 822-3322  
FAX: (304) 822-3990

June 30, 2006

Central Hampshire Public Service District  
Water Revenue Bonds, Series 2006 A  
(United States Department of Agriculture)

Central Hampshire Public Service District  
Romney, West Virginia

United States Department of Agriculture  
Parkersburg, West Virginia

Step toe & Johnson PLLC  
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Central Hampshire Public Service District, a public service district in Hampshire County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Step toe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted June 28, 2006 (the "Resolution"), other documents and papers relating to the Issuer and the above- captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Hampshire relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

I am of the opinion that:

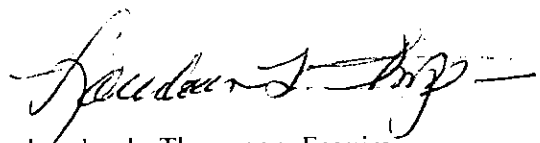
1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.
2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have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

4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

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

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

Very truly yours,



Loudon L. Thompson, Esquire

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

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

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Central Hampshire Public Service District in Hampshire County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify on this the 30th day of June, 2006 in connection with the Central Hampshire Public Service District Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$1,745,000 and bearing interest at a rate of 4.375 % per annum (the "Bonds" or the "Series 2006 A Bonds"), as follows:

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

dated March 23, 1999, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted June 28, 2006, authorizing issuance of the Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Bonds are being issued on this date to finance a portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

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

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

The Issuer has received the Recommended Decision and Commission Order of the Public Service Commission of West Virginia entered on September 30, 2005 and June \_\_, 2006, respectively, in Case 05-0298-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the rates and charges. The time for appeal of said Recommended Decision, Commission Referral Order and Commission Order have expired prior to the date hereof without appeal.

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

There are outstanding obligations of the Issuer which will rank prior and senior to the Series 2006 A Bonds as to liens, pledge and source of and security for payment, being the

Water Revenue Bond, Series 1976, dated January 12, 1977, issued in the original aggregate principal amount of \$411,000, held by GMAC Commercial Mortgage (the "First Lien Bonds"). There are also outstanding obligations of the Issuer which will rank on a parity with the Series 2006 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1992, dated September 21, 1992, issued in the original aggregate principal amount of \$358,000 (the "Subordinate Bonds"), held by the United States Department of Agriculture, Rural Utilities Service. The First Lien Bonds and Subordinate Bonds are sometimes hereinafter collectively referred to as the "Prior Bonds". Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2006 A Bonds as to liens, pledge and/or source of and security for payment.

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

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

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

Bond Resolution

Series 1992 Bond Resolution

Series 1977 Bond Resolution

Consent of USDA, RUS to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

County Commission Orders Creating the District

County Commission Orders of Appointment of Current Board members

Oaths of Office of Current Board members

Rules of Procedure

Affidavit of Publication on Notice of Meeting to Adopt Bond Resolution

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution

United States Department of Agriculture Letter of Conditions and Closing Instructions

United States Department of Agriculture Grant Agreement

West Virginia Infrastructure and Jobs Development Council Grant Agreement

Receipt of Depository Bank

Water Purchase Contract with the City of Romney

7. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Central Hampshire Public Service District." The Issuer is a public service district and public corporation duly created by The County Commission of Central Hampshire and presently existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 3 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<br/>Commencement<br/>of Office</u> | <u>Date of<br/>Termination<br/>of Office</u> |
|---------------|-----------------------------------------------|----------------------------------------------|
| Brian Judy    | July 1, 2003                                  | June 30, 2009                                |
| Richard Wood  | July 1, 2005                                  | June 30, 2011                                |
| Robert Mayhew | February 7, 2006                              | June 30, 2007                                |

Ted Smith is the duly appointed General Manager of the District.

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 2006 are as follows:

|           |               |
|-----------|---------------|
| Chairman  | Brian Judy    |
| Secretary | Robert Mayhew |
| Treasurer | Richard Wood  |

The duly appointed and acting Attorney for the Issuer is Loudon L. Thompson, Esquire, of Romney, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Bonds were delivered to the Purchaser at Romney, 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 \$319,900 was received by the undersigned Chairman, being a portion of the principal amount of Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Bonds are dated the date hereof, and interest on advances of the principal thereof at a rate of 4.375% per annum is payable from the date of each such advance.

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

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

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

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

12. CONNECTIONS, ETC.: The Issuer will serve at least 219 bona fide full-time users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

14. ADDITIONAL FUNDING: As of the date hereof, the grant in the amount of \$1,870,000, the subsequent grant in the amount of \$55,000 and a second subsequent grant in the amount of \$440,000 from the Purchaser are committed and in full force and effect and the grant from the Council in the amount of \$1,450,000 are committed hereto.

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

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.

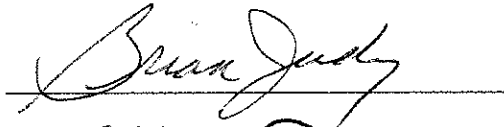
18. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official seal of CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT on the day and year first written above.

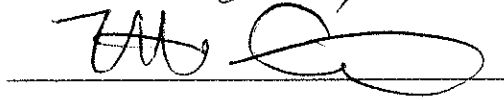
[CORPORATE SEAL]

SIGNATURE

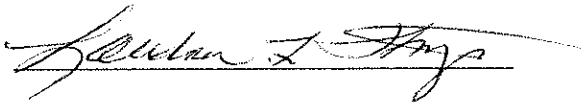
OFFICIAL TITLE

Handwritten signature of Brian Judy in black ink, written over a horizontal line.

Chairman

Handwritten signature, possibly "FA", in black ink, written over a horizontal line.

Secretary

Handwritten signature of Gordon L. King in black ink, written over a horizontal line.

Attorney for Issuer

06.08.06  
135450.00002

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

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

ENGINEER'S CERTIFICATE

I, Manning H. Frymier, Registered Professional Engineer, West Virginia License No. 8497, of Cerrone Associates, Inc., of Wheeling, West Virginia, hereby certify that my firm is the engineer for the acquisition and construction of certain additions, improvements and extensions (the "Project") to the existing waterworks system (the "System") of Central Hampshire Public Service District (the "Issuer"), to be acquired and constructed primarily in Hampshire County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

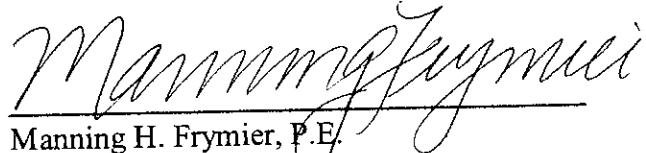
I further certify that the Project will, to the best of my knowledge, information and belief, be constructed in general accordance with plans and specifications prepared by my firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

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

WITNESS my signature on this 30th day of June, 2006.

[SEAL]

CERRONE ASSOCIATES, INC.

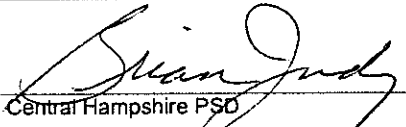


Manning H. Frymier, P.E.  
West Virginia License No. 8497

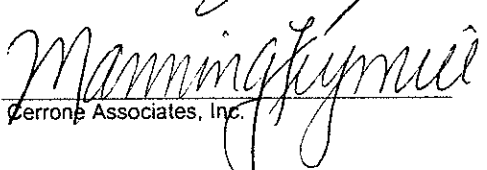
**CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT  
WATER PROJECT**

**SCHEDULE B**

|                                 |              |                 |                  |                   | Bid    Overrun      |                      |
|---------------------------------|--------------|-----------------|------------------|-------------------|---------------------|----------------------|
| <b>A. COST OF PROJECT</b>       | <b>TOTAL</b> | <b>RUS Loan</b> | <b>RUS Grant</b> | <b>IJDC Grant</b> | <b>RUS Grant #2</b> | <b>IJDC Grant #2</b> |
| 1 Construction                  | 4,321,097    | 1,046,500       | 1,626,500        | 1,168,000         | 280,097             | 200,000              |
| 2 Technical Services (Cerrone)  |              |                 |                  |                   |                     |                      |
| Basic                           | 287,314      | 152,314         | 135,000          | 0                 | 0                   | 0                    |
| Inspection                      | 250,000      | 133,000         | 117,000          | 0                 | 0                   | 0                    |
| Special                         | 42,000       | 22,000          | 20,000           | 0                 | 0                   | 0                    |
| 3 Legal & Fiscal                |              |                 |                  |                   |                     |                      |
| a. Legal                        | 25,000       | 20,000          | 5,000            | 0                 | 0                   | 0                    |
| b. PSC attorney                 | 20,000       | 20,000          | 0                | 0                 | 0                   | 0                    |
| c. Accounting                   | 11,000       | 11,000          | 0                | 0                 | 0                   | 0                    |
| 4 Administrative                | 10,000       | 0               | 0                | 10,000            | 0                   | 0                    |
| 5 Sites & Other Lands           | 140,000      | 118,500         | 21,500           | 0                 | 0                   | 0                    |
| 6. Construction Contingency     | 238,455      | 25,700          | 0                | 60,000            | 152,755             | 0                    |
| 7 Contingency                   | 49,134       | 29,986          | 0                | 12,000            | 7,148               | 0                    |
| 8 TOTAL of Lines 1 through 9    | 5,394,000    | 1,579,000       | 1,925,000        | 1,250,000         | 440,000             | 200,000              |
| <b>B. COST OF FINANCING</b>     |              |                 |                  |                   |                     |                      |
| 9 Funded Reserve                | 0            | 0               | 0                | 0                 | 0                   | 0                    |
| 10 Capitalized interest         | 145,000      | 145,000         | 0                | 0                 | 0                   | 0                    |
| 11 Other Costs                  | 0            | 0               | 0                | 0                 | 0                   | 0                    |
| a. Registrar fees               | 0            | 0               | 0                | 0                 | 0                   | 0                    |
| b Bond Counsel (S&J)            | 21,000       | 21,000          | 0                | 0                 | 0                   | 0                    |
| 12 Cost of Financing            | 166,000      | 166,000         | 0                | 0                 | 0                   | 0                    |
| 13 Total Cost of Project        | 5,560,000    | 1,745,000       | 1,925,000        | 1,250,000         | 440,000             | 200,000              |
| <b>C. SOURCES OF FUNDS</b>      |              |                 |                  |                   |                     |                      |
| 14 Federal Grants           RUS | 1,925,000    | 0               | 1,925,000        | 0                 | 0                   | 0                    |
| 15 Federal Grants           RUS | 440,000      | 0               | 0                | 0                 | 440,000             | 0                    |
| 16 State Grants           IJDC  | 1,250,000    | 0               | 0                | 1,250,000         | 0                   | 0                    |
| 17 Other Grants           IJDC  | 200,000      | 0               | 0                | 0                 | 0                   | 200,000              |
| 18 Any Other Source             |              |                 |                  |                   |                     |                      |
| 19 TOTAL Lines 11 trough 15     | 3,815,000    | 0               | 1,925,000        | 1,250,000         | 440,000             | 200,000              |
| 20 Net Proceeds from Bond Issue | 1,745,000    | 1,745,000       | 0                | 0                 | 0                   | 0                    |

  
Central Hampshire PSD

6-28-06  
Date

  
Cerrone Associates, Inc.

June 20, 2006  
Date

**RESERVED**

WV MUNICIPAL BOND COMMISSION  
8 Capitol Street  
Suite 500, Terminal Building  
Charleston, WV 25301  
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: June 30, 2006

ISSUE: Central Hampshire Public Service District Water Revenue Bonds, Series 2006 A (United States Department of Agriculture)

ADDRESS: HC 63, Box 3580, Romney, WV 26757

COUNTY: Hampshire

PURPOSE OF ISSUE: New Money: X  
Refunding: \_\_\_\_\_

REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: June 30, 2006

CLOSING DATE: June 30, 2006

ISSUE AMOUNT: \$ 1,745,000

RATE: 4.375%

1ST DEBT SERVICE DUE: N/A

1ST PRINCIPAL DUE: N/A

1ST DEBT SERVICE AMOUNT: N/A

PAYING AGENT: Issuer

**BOND**

COUNSEL: Steptoe & Johnson PLLC  
Contact Person: 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: Ted Smith  
Position: General Manager  
Phone: (304) 882-5490

OTHER: United States Department of Agriculture  
Contact Person: Joe Crickenberger  
Function: Rural Development Specialist  
Phone: (304) 636-2158

**DEPOSITS TO MBC AT CLOSE:**

By: \_\_\_\_\_ Wire  
\_\_\_\_\_ Check

Accrued Interest: \$ \_\_\_\_\_  
Capitalized Interest: \$ \_\_\_\_\_  
Reserve Account: \$ \_\_\_\_\_  
Other: \$ \_\_\_\_\_

**REFUNDS & TRANSFERS BY MBC AT CLOSE**

By: \_\_\_\_\_ Wire  
\_\_\_\_\_ Check  
\_\_\_\_\_ IGT

To Escrow Trustee: \$ \_\_\_\_\_  
To Issuer: \$ \_\_\_\_\_  
To Cons. Invest. Fund: \$ \_\_\_\_\_  
To Other: \$ \_\_\_\_\_

NOTES: Monthly debt service payments will be made by the District directly to the National Finance Office. The Municipal Bond Commission will hold the Series 2006 A Bonds Reserve Account. Payments to the Series 2006 A Bonds Reserve Account will commence within 24 months of June 30, 2006.

**FOR MUNICIPAL BOND COMMISSION USE ONLY:**

DOCUMENTS REQUIRED: \_\_\_\_\_  
TRANSFERS REQUIRED: \_\_\_\_\_

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.



United States  
Department of  
Agriculture

Rural  
Development

*Bond Counsel*

Federal Building  
75 High Street, Room 320  
Morgantown, WV 26505-7500  
Phone (304) 284-4888  
FAX (304) 284-4892  
TTY/TDD (304) 284-4836

February 23, 2004

Gregory L. Bohrer, Chairman  
Central Hampshire Public Service District  
HC-63, Box 3580  
Romney, WV 26757

**COPY**

RE: Amendment No. 1 to  
Letter of Conditions

Dear Mr. Bohrer:

This letter, with Attachment No. 1, amends the letter of conditions dated March 23, 1999 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 \$1,227,000, an initial RUS grant in the amount of \$1,870,000, a subsequent RUS grant in the amount of \$55,000, and other funding in the amount of \$1,250,000, for a total project cost of \$4,402,000. 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 March 23, 1999 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

Attachment No. 1 - Project Construction Budget (All Copies)

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 4.75% interest rate and a monthly amortization factor of .00475 which provides for a monthly payment of \$5,829 on the reduced loan.
2. Users - This conditional commitment is based upon you having obtained proper signed user agreements with at least 219 bona fide full time users located within the planned service area. This amends the previous number of 340 users as required by the letter of conditions dated March 23, 1999.

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

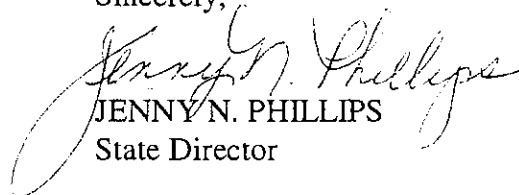
3. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.
4. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"  
 Form RD 442-7 - "Initial Operating Budget"  
 Form 1940-1 - "Request for Obligation of Funds"  
 RUS Bulletin 1780-27 - "Loan Resolution"  
 Form RD 1942-46 - "Letter of Intent to Meet Conditions"

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,

  
JENNY N. PHILLIPS  
State Director

Enclosures

cc: RUS Rural Development Specialist  
Elkins, WV

J. C. Kunkle & Associates, CPAs  
P.O. Box 925  
Martinsburg, WV 25402

Loudon L. Thompson, Attorney at Law  
2 West Main Street  
Romney, WV 26757

Steptoe & Johnson, PLLC ✓  
P.O. Box 2190  
Clarksburg, WV 26301

Cerrone & Associates, Inc.  
401 Main Street  
Wheeling, WV 26003-2497

Attachment No. 1 to Amended Letter of Conditions  
For: Central Hampshire Public Service District  
Date: February 23, 2004

Project Construction Budget

| <u>PROJECT COST</u> | <u>RUS LOAN</u>     | <u>RUS GRANT</u>    | <u>WVIJDC GRANT</u> | <u>TOTAL</u>        |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| CONSTRUCTION        | \$ 550,000          | \$ 1,390,000        | \$ 1,240,000        | \$ 3,180,000        |
| CONST. CONTINGENCY  | \$ 151,000          | \$ 167,000          |                     | \$ 318,000          |
| LAND & RIGHTS       | \$ 118,500          | \$ 21,500           |                     | \$ 140,000          |
| LEGAL FEES          | \$ 24,000           | \$ 6,000            |                     | \$ 30,000           |
| BOND COUNSEL        | \$ 18,000           |                     |                     | \$ 18,000           |
| ACCOUNTING          | \$ 2,500            |                     |                     | \$ 2,500            |
| ENGINEERING FEES    | \$ 221,000          | \$ 265,000          |                     | \$ 486,000          |
| Basic - \$274,000   |                     |                     |                     |                     |
| Insp. - \$173,000   |                     |                     |                     |                     |
| Special - \$39,000  |                     |                     |                     |                     |
| INTEREST            | \$ 116,500          |                     |                     | \$ 116,500          |
| ADMINISTRATION      |                     |                     | \$ 10,000           | \$ 10,000           |
| PROJECT CONTG.      | \$ 25,500           | \$ 75,500           |                     | \$ 101,000          |
| <b>TOTAL</b>        | <b>\$ 1,227,000</b> | <b>\$ 1,925,000</b> | <b>\$ 1,250,000</b> | <b>\$ 4,402,000</b> |

Rates

Available for general domestic, commercial, and industrial service.

|       |        |           |         |               |
|-------|--------|-----------|---------|---------------|
| First | 2,000  | gallons @ | \$ 8.56 | per M gallons |
| Next  | 3,000  | gallons @ | \$ 7.65 | per M gallons |
| Next  | 15,000 | gallons @ | \$ 7.06 | per M gallons |
| Over  | 20,000 | gallons @ | \$ 6.24 | per M gallons |

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

|             |       |           |           |
|-------------|-------|-----------|-----------|
| 5/8" x 3/4" | meter | \$ 17.12  | per month |
| 3/4"        | meter | \$ 25.68  | per month |
| 1"          | meter | \$ 42.80  | per month |
| 1 1/2"      | meter | \$ 85.60  | per month |
| 2"          | meter | \$ 136.96 | per month |
| 3"          | meter | \$ 256.80 | per month |
| 4"          | meter | \$ 428.00 | per month |
| 6"          | meter | \$ 856.00 | per month |

Minimum Monthly Bill \$17.12 for 2,000 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 \$300.00 for connection to the system.

#### Reconnection Charge

\$25.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

**"APPLICANT NAME"**  
**USE AND INCOME ANALYSIS**  
**EXTENSION ONLY - EXISTING RATES**

| Blocking         | Cust. | Gal/<br>Mo. | Minimum<br>Bills | FIRST<br>2,000 | NEXT<br>3,000 | NEXT<br>15,000 | OVER<br>20,000 | TOTAL<br>REVENUE |
|------------------|-------|-------------|------------------|----------------|---------------|----------------|----------------|------------------|
| 1000 gallons     | 65    | 195         | 0                | 130            | 65            |                |                |                  |
| 1000 gallons     | 87    | 348         |                  | 174            | 174           |                |                |                  |
| 1000 gallons     | 67    | 335         |                  | 134            | 201           | 0              | 0              |                  |
| Monthly Total    | 219   | 878         | 0                | 438            | 440           | 0              | 0              | 0                |
| Current Rates    |       |             |                  | \$ 8.56        | \$ 7.65       | \$ 7.06        | \$ 6.24        |                  |
| Monthly Revenues |       |             |                  | \$ 3,749.28    | \$ 3,366.00   | \$ -           |                | \$ 7,115.28      |
| Annual Revenues  |       |             |                  | \$ -           | \$ 44,991.36  | \$ 40,392.00   | \$ -           | \$ 85,383.36     |

Analysis based on extension area only  
Estimates of usage provided by Cerrone  
Based on existing rates - same as original L.O.C.  
500 gallon rate - \$36.25

*CENTRAL HAMPSHIRE PSD*

OPERATING BUDGET (Amendment No. 1 to Letter of Conditions)

OPERATING INCOME

|                         |           |                   |
|-------------------------|-----------|-------------------|
| Metered Sales           | \$ 85,383 |                   |
| Existing System Subsidy | \$ 48,888 |                   |
| TOTAL OPERATING INCOME  |           | <u>\$ 134,271</u> |

NON OPERATING INCOME

|                            |      |             |
|----------------------------|------|-------------|
| Interest income            | \$ - |             |
| TOTAL NON OPERATING INCOME |      | <u>\$ -</u> |

TOTAL INCOME

\$ 134,271

EXPENSES

|                |           |                  |
|----------------|-----------|------------------|
| O & M          | \$ 52,970 |                  |
| Taxes          |           |                  |
| TOTAL EXPENSES |           | <u>\$ 52,970</u> |

INCOME AVAILABLE FOR D/S (A)

\$ 81,301

DEBT SERVICE

|                         |           |                                            |
|-------------------------|-----------|--------------------------------------------|
| Existing Bond P & I (B) |           |                                            |
| Proposed Bond P & I (B) | \$ 69,948 | (\$1,227,000 RUS loan @ 4.75% for 38 yrs.) |

TOTAL DEBT SERVICE \$ 69,948

DEBT SERVICE RESERVE

|                       |          |                                        |
|-----------------------|----------|----------------------------------------|
| Debt Service Reserve* | \$ 6,996 | (Total reserves for system - \$11,679) |
|-----------------------|----------|----------------------------------------|

TOTAL DEBT SERVICE RESERVE \$ 6,996

SURPLUS (DEFICIT)

\$ 4,357

DEBT COVERAGE (A/B)

\$ 1.16

**Proposed RUS loan of \$1,227,000 @ 4.75% for 38 years**

**Proposed RUS grant of \$1,925,000**



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

May 11, 2006

Brian Judy, Chairman  
Central Hampshire Public Service District  
HC 63, Box 3580  
Romney, WV 26757

RE: Amendment No. 1 to  
Letter of Conditions

Dear Mr. Judy:

This letter, with Attachment No. 1 amends the letter of conditions dated March 23, 1999, and Amendment No. 1 to the Letter of Conditions dated February 23, 2004, and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS loan in the amount of \$1,745,000, an RUS grant in the amount of \$1,870,000, a subsequent RUS grant in the amount of \$55,000, a second RUS subsequent grant in the amount of \$440,000 and other funding in the amount of \$1,450,000, for a total project cost of \$5,560,000. The other funding is planned in the form of grant funding from the West Virginia Infrastructure and Jobs Development Council (WVIJDC). The conditions contained in this letter and all of the conditions contained in the previous letters of conditions as specified above must be satisfied prior to closing the RUS loan and grants.

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:

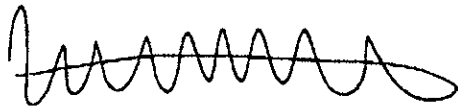
1. Public Service Commission Approval – The PSD must obtain approval from the Public Service Commission (PSC) for the proposed financing changes and for the proposed new user rates. A copy of the PSC approval documents and a copy of the “Rule 42” Exhibit approved by the WV PSC must be submitted to RUS for review and approval.
2. 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 1940-1 - “Request for Obligation of Funds”  
RUS Bulletin 1780-27 - “Loan Resolution (Public Bodies)”  
Form RD 1942-46 - “Letter of Intent to Meet Conditions”

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,



ROBERT M. STEPTOE III  
State Director

Enclosures

cc: Page 3

cc: RUS Rural Development Specialist  
Elkins, WV

John Kunkle, CPA  
J.C. Kunkle and Associates  
P.O. Box 925  
Martinsburg, WV 25402

Loudon L. Thompson, Attorney at Law  
2 West Main Street  
Romney, WV 26757

Manning Frymier, P.E.  
Cerrone Associates  
401 Main Street  
Wheeling, WV 26003

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

Jefferson E. Brady, P.E.  
Executive Director  
West Virginia Infrastructure and Jobs Development Council  
300 Summers Street, Suite 980  
Charleston, WV 25301

Attachment No. 1 to Amendment No. 2 to the Letter of Conditions  
 For: Central Hampshire PSD  
 Date: May 11, 2006

**PROJECT CONSTRUCTION BUDGET**  
*Central Hampshire PSD - Waterline Extension Project*

| <u>PROJECT COST</u> | <u>RUS LOAN</u>     | <u>RUS GRANTS</u>   | <u>IJDC GRANTS</u>  | <u>TOTAL</u>           |
|---------------------|---------------------|---------------------|---------------------|------------------------|
| CONSTRUCTION        | \$ 1,039,500        | \$ 1,841,597        | \$ 1,440,000        | \$ 4,321,097           |
| CONST. CONTINGENCY  | \$ 42,000           | \$ 212,755          |                     | \$ 254,755             |
| LAND & RIGHTS       | \$ 118,500          | \$ 21,500           |                     | \$ 140,000             |
| LEGAL FEES          | \$ 20,000           | \$ 5,000            |                     | \$ 25,000              |
| BOND COUNSEL        | \$ 21,000           |                     |                     | \$ 21,000              |
| PSC ATTORNEY        | \$ 20,000           |                     |                     | \$ 20,000              |
| ACCOUNTING          | \$ 11,000           |                     |                     | \$ 11,000              |
| ENGINEERING FEES    | \$ 298,000          | \$ 265,000          |                     | \$ 563,000             |
| Basic - \$274,000   |                     |                     |                     |                        |
| Insp. - \$250,000   |                     |                     |                     |                        |
| Special - \$39,000  |                     |                     |                     |                        |
| INTEREST            | \$ 145,000          |                     |                     | \$ 145,000             |
| ADMINISTRATION      |                     |                     | \$ 10,000           | \$ 10,000              |
| PROJECT CONTINGENCY | \$ 30,000           | \$ 19,148           |                     | \$ 49,148              |
| <b>TOTAL</b>        | <b>\$ 1,745,000</b> | <b>\$ 2,365,000</b> | <b>\$ 1,450,000</b> | <b>\$ 5,560,000.00</b> |



*Bond Council*

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

May 11, 2006

COPY

Brian Judy, Chairman  
Central Hampshire Public Service District  
HC 63, Box 3580  
Romney, WV 26757

RE: Amendment No. 2 to  
Letter of Conditions

Dear Mr. Judy:

This letter, with Attachment No. 1 amends the letter of conditions dated March 23, 1999, and Amendment No. 1 to the Letter of Conditions dated February 23, 2004, and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS loan in the amount of \$1,745,000, an RUS grant in the amount of \$1,870,000, a subsequent RUS grant in the amount of \$55,000, a second RUS subsequent grant in the amount of \$440,000 and other funding in the amount of \$1,450,000, for a total project cost of \$5,560,000. The other funding is planned in the form of grant funding from the West Virginia Infrastructure and Jobs Development Council (WVIJDC). The conditions contained in this letter and all of the conditions contained in the previous letters of conditions as specified above must be satisfied prior to closing the RUS loan and grants.

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:

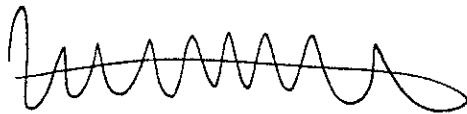
1. Public Service Commission Approval – The PSD must obtain approval from the Public Service Commission (PSC) for the proposed financing changes and for the proposed new user rates. A copy of the PSC approval documents and a copy of the “Rule 42” Exhibit approved by the WV PSC must be submitted to RUS for review and approval.
2. 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 1940-1 – “Request for Obligation of Funds”  
RUS Bulletin 1780-27 – “Loan Resolution (Public Bodies)”  
Form RD 1942-46 - “Letter of Intent to Meet Conditions”

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the Public Service District still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely,



ROBERT M. STEPTOE III  
State Director

Enclosures

cc: Page 3

cc: RUS Rural Development Specialist  
Elkins, WV

John Kunkle, CPA  
J.C. Kunkle and Associates  
P.O. Box 925  
Martinsburg, WV 25402

Loudon L. Thompson, Attorney at Law  
2 West Main Street  
Romney, WV 26757

Manning Frymier, P.E.  
Cerrone Associates  
401 Main Street  
Wheeling, WV 26003

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

Jefferson E. Brady, P.E.  
Executive Director  
West Virginia Infrastructure and Jobs Development Council  
300 Summers Street, Suite 980  
Charleston, WV 25301

Attachment No. 1 to Amendment No. 2 to the Letter of Conditions  
 For: Central Hampshire PSD  
 Date: May 11, 2006

**PROJECT CONSTRUCTION BUDGET**  
*Central Hampshire PSD - Waterline Extension Project*

| <u>PROJECT COST</u> | <u>RUS LOAN</u>     | <u>RUS GRANTS</u>   | <u>IJDC GRANTS</u>  | <u>TOTAL</u>           |
|---------------------|---------------------|---------------------|---------------------|------------------------|
| CONSTRUCTION        | \$ 1,046,500        | \$ 1,846,597        | \$ 1,368,000        | \$ 4,261,097           |
| CONST. CONTINGENCY  | \$ 25,700           | \$ 212,755          | \$ 60,000           | \$ 298,455             |
| LAND & RIGHTS       | \$ 118,500          | \$ 21,500           |                     | \$ 140,000             |
| LEGAL FEES          | \$ 20,000           | \$ 5,000            |                     | \$ 25,000              |
| BOND COUNSEL        | \$ 21,000           |                     |                     | \$ 21,000              |
| PSC ATTORNEY        | \$ 20,000           |                     |                     | \$ 20,000              |
| ACCOUNTING          | \$ 11,000           |                     |                     | \$ 11,000              |
| ENGINEERING FEES    | \$ 307,300          | \$ 272,014          |                     | \$ 579,314             |
| Basic - \$287,314   |                     |                     |                     |                        |
| Insp. - \$250,000   |                     |                     |                     |                        |
| Special - \$42,000  |                     |                     |                     |                        |
| INTEREST            | \$ 145,000          |                     |                     | \$ 145,000             |
| ADMINISTRATION      |                     |                     | \$ 10,000           | \$ 10,000              |
| PROJECT CONTINGENCY | \$ 30,000           | \$ 7,134            | \$ 12,000           | \$ 49,134              |
| <b>TOTAL</b>        | <b>\$ 1,745,000</b> | <b>\$ 2,365,000</b> | <b>\$ 1,450,000</b> | <b>\$ 5,560,000.00</b> |

**WATER OR WASTE SYSTEM GRANT AGREEMENT**  
**UNITED STATES DEPARTMENT OF AGRICULTURE**  
**RURAL UTILITIES SERVICE**

THIS AGREEMENT dated June 30, 2006 between  
Central Hampshire Public Service District

a public corporation organized and operating under

Chapter 16 Article 13A, West Virginia State Code

*(Authorizing Statute)*

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of \$ 5,560,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 3,195,000 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 3,195,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 2,365,000 or 42.54% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed 42.54% percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

**GRANTEE AGREES THAT GRANTEE WILL:**

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes

of service, adopted by resolution dated \_\_\_\_\_, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

**This Grant Agreement covers the following described real property (use continuation sheets as necessary).**

**All real property owned by the Central Hampshire PSD Water System.**

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A Grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds, for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

- (c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.
- (d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
- (e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

**This Grant Agreement covers the following described equipment (use continuation sheets as necessary).**

None

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/97]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$2,365,000.00, which it will advance to Grantee to meet not to exceed 42.54% percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

### Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

and attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By:

[Signature]

(Title)

Secretary

By:

[Signature]

(Title)

Chairman

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By:

(Title)

CENTRAL HAMPSHIRE PUBLIC SERVICE DISTRICT

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

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of FNB Bank, Inc., Romney, West Virginia (the "Bank"), hereby certify that on June 30, 2006, the Bank received an automated transfer in the amount of \$319,900 to the credit of the Project Construction Account, Account Number 0218974 for the Series 2006 A Bonds.

WITNESS my signature on this 30th day of June, 2006.

FNB BANK, INC.

By: J. Warner John V. Bates  
Its: Authorized Officer

06.08.06  
135430.00002

CH741340.1