

**CENTRAL BARBOUR PUBLIC SERVICE
DISTRICT**

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

Date of Closing: December 13, 2002

BOND TRANSCRIPT

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BOND TRANSCRIPT

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CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

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

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CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE); THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF CENTRAL BARBOUR PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF SUCH BONDS; 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 BARBOUR 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 Barbour Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Barbour County of said State, duly created pursuant to the Act by The County Commission of Barbour County.

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

A. The Issuer currently owns and operates a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public

service properties consisting of additions, improvements and extensions to such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of construction of approximately 95,000 feet of water line and a 75,000 gallon water tank, and all necessary appurtenances, to service an estimated 175 new customers (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$2,200,000, of which \$2,000,000 will be obtained from the proceeds of sale of the Series 2002 A Bonds herein authorized and \$200,000 will be obtained from a grant from the Purchaser.

E. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), in the aggregate principal amount of \$2,000,000 (the "Series 2002 A Bonds"), to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2002 A Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the

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

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

G. There are outstanding obligations of the Issuer that will rank on a parity with the Series 2002 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1994, dated September 22, 1994, issued in the original aggregate principal amount of \$239,000 (the "Prior Bonds"), and held by the Purchaser. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2002 A Bonds as to liens, pledge and/or source of and security for payment.

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

H. It is in the best interest of the Issuer that the Series 2002 A Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letter of Conditions, dated June 30, 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 2002 A Bonds, or will have so complied prior to issuance of the Series 2002 A Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2002 A Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2002 A Bonds.

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

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

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

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

"Bonds" means, collectively, the Series 2002 A Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

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

"Consulting Engineer" means Green Engineering, Inc., Philippi, 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 Barbour County Bank, Philippi, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated June 30, 1999, and all amendments thereto, if any.

"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 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 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.

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

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

"Prior Bonds" means the Water Revenue Bonds, Series 1994, of the Issuer described in Section 1.02G hereof.

"Prior Resolution" means the resolution of the Issuer, adopted September 22, 1994, authorizing the Water Revenue Bonds, Series 1994.

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

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

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

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

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

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

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

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

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

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

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

"Secretary" means the Secretary of the Governing Body.

"Series 1994 Resolution" means the resolution of the Issuer adopted September 22, 1994, authorizing the Series 1994 Bonds.

"Series 2002 A Bonds" means the Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2002 A Bonds Reserve Account" means the Reserve Account created by Section 4.02 hereof.

"Series 2002 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2002 A Bonds in the then current or any succeeding year.

"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 \$2,200,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2002 A Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2002 A Bonds of the Issuer, to be known as "Water Revenue Bonds, Series 2002 A (United States Department of Agriculture)", are hereby authorized to be issued in the principal amount of \$2,000,000, for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2002 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Series 2002 A Bonds shall bear interest from the date of delivery, payable monthly at the rate of 4.5% per annum, and shall be sold for the par value thereof.

The Series 2002 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2002 A Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2002 A Bonds, and the right to principal of and stated interest on the Series 2002 A Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2002 A Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2002 A Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2002 A Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2002 A Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2002 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2002 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2002 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2002 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2002 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2002 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2002 A Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2002 A Bonds shall cease to be such officer of the Issuer before the Series 2002 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2002 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2002 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2002 A Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2002 A Bonds shall have

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

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2002 A Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided, on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2002 A Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2002 A Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2002 A Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

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

\$2,000,000

No. AR-1

Date: December __, 2002

FOR VALUE RECEIVED, CENTRAL BARBOUR 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 TWO MILLION DOLLARS (\$2,000,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$9,180 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted December __, 2002, authorizing issuance of this Bond (the "Resolutions").

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BOND, SERIES 1994, DATED SEPTEMBER 22, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$239,000.

IN WITNESS WHEREOF, CENTRAL BARBOUR 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 BARBOUR PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

Route 2, Box 246
(P. O. Box No. or Street Address)

Philippi, West Virginia 26416
(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)	\$	December __, 2002		(19)	\$		
(2)	\$			(20)	\$		
(3)	\$			(21)	\$		
(4)	\$			(22)	\$		
(5)	\$			(23)	\$		
(6)	\$			(24)	\$		
(7)	\$			(25)	\$		
(8)	\$			(26)	\$		
(9)	\$			(27)	\$		
(10)	\$			(28)	\$		
(11)	\$			(29)	\$		
(12)	\$			(30)	\$		
(13)	\$			(31)	\$		
(14)	\$			(32)	\$		
(15)	\$			(33)	\$		
(16)	\$			(34)	\$		
(17)	\$			(35)	\$		
(18)	\$			(36)	\$		
TOTAL				\$			

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

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

- (1) Revenue Fund (established by the Prior Resolution and continued hereby);
- (2) Depreciation Reserve; and
- (3) Series 2002 A Bonds Project Construction Account.

Section 4.02. Establishment of Funds and Accounts with the Commission. The following special funds or accounts are hereby created with and shall be held by the Commission separate with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

Series 2002 A Bonds Reserve Account.

Section 4.03. Bond Proceeds; Series 2002 A Bonds Project Construction Account. The proceeds of the sale of the Series 2002 A Bonds shall be deposited upon receipt by the Issuer in the Series 2002 A Bonds Project Construction Account. The monies in the Series 2002 A Bonds 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 2002 A Bonds Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2002 A Bonds 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 2002 A Bonds Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to

make the monthly installments on the Series 2002 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, money and funds in the Series 2002 A Bonds 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 2002 A Bonds Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2002 A Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2002 A Bonds as follows:

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

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

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

(2) The Issuer shall next, each month, transfer from the Revenue Fund and (i) remit to the National Finance Office, the amount required by the Prior Resolution to pay interest and principal on the Prior Bonds; and (ii) beginning on January 13, 2002, remit to the National Finance Office, the amounts required to pay interest on the Series 2002 A Bonds until January 13, 2004 and continuing to the 13th day of each month thereafter, the amounts required to amortize the

interest and principal of the Series 2002 A Bonds over the life of the Series 2002 A Bonds issue.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and (i) on the first day of each month, remit to the Depository Bank for deposit into the 1994 Bond Reserve Fund, the amount required by the Prior Resolution; and (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2002 A Bonds Reserve Account, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2002 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the Series 2002 A Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2002 A Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2002 A Bonds, or for mandatory prepayment of the Series 2002 A Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the Series 2002 A Bond Reserve Account, so long as the Series 2002 A Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(4) The Issuer shall next on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for the deposit in the Depreciation Reserve, beginning on the date specified by the Purchaser, but in any event not later than the 12th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, an amount equal to 0.4167% of the Minimum Reserve, until the amount in the Series 2002 A Bonds Reserve Account equals the Minimum Reserve, and thereafter, 0.8334% of the Minimum Reserve, so long as the Series 2002 A Bonds are outstanding; provided, however, that in the event Revenues are insufficient to fund the Series 2002 A Bonds Reserve Account in accordance with Section 4.04B above, or a withdrawal of funds from the Series 2002 A Bonds Reserve Account is made, payment of Revenues into the Depreciation Reserve as provided in this Section 4.04B shall not be made, but instead Revenues shall be applied to the replenishment of

the Series 2002 A Bonds Reserve Account until such deficiency is cured, at which time payments into the Depreciation Reserve as provided in this Section 4.04B shall resume. Monies in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of interest on and principal of the Series 2002 A Bonds as the same become due, and next to restore to the Series 2002 A Bonds Reserve Account any sum or sums transferred therefrom. Thereafter, and provided that payments are current and in accordance with the foregoing provisions, monies in the Depreciation Reserve may be withdrawn by the Issuer and used for replacements, repairs, improvements or extensions to the System.

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

Whenever the money in the Series 2002 A Bonds Reserve Account shall be sufficient to prepay the Series 2002 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2002 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2002 A Bonds Reserve Account as herein provided, and all amounts required for the Series 2002 A Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

The Issuer shall, on dates set forth above (if any such date is not a business day, then the next occurring business day), deposit with the Commission the required reserve account payments with respect to the Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

The Revenue Fund, the Series 2002 A Bonds Reserve Account shall constitute a trust fund and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Series 2002 A Bonds and the interest thereon.

If on any payment date the Revenues are insufficient to make the payments and transfers as provided hereinabove and in the Prior 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.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2002 A Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolution, the Commission and the Depository Bank, at the direction of the Issuer, shall keep the monies in the Series 2002 A Bonds Reserve Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein, or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Investment Management Board. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2002 A Bonds Reserve Account, so long as the Series 2002 A Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

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

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2002 A Bonds, provide evidence that there will be at least 801 bona fide users of the System upon 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 Commission or the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission or the Depository Bank 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 or the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

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

Section 4.05. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Series 2002 A Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed \$2,000,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 2002 A Bonds or the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2002 A Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2002 A Bonds Reserve Account a sum sufficient to prepay the entire principal of the Series 2002 A Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2002 A Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Series 2002 A Bonds and the Prior Bonds and sufficient to make the payments required herein into all funds and accounts and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2002 A Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

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

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2002 A Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

(b) Public Liability Insurance, with limits of not less than \$500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than \$200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2002 A Bonds.

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

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of

construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

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

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in 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 2002 A Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2002 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2002 A Bonds.

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

(a) Failure to make payment of any monthly amortization installment on the Series 2002 A Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2002 A Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

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

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

Section 5.09. Fiscal Year; Budget. While the Series 2002 A Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

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

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

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

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

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

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2002 A Bonds are outstanding.

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

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on May 16, 2002, Case No. 01-1489-PWD-CN, which Final Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2002 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2002 A Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2002 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2002 A Bonds, the Issuer may not defease the Series 2002 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 2002 A Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2002 A Bonds.

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

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

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

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

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

Adopted this 11th day of December, 2002.

CENTRAL BARBOUR PUBLIC SERVICE
DISTRICT


Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board
of CENTRAL BARBOUR PUBLIC SERVICE DISTRICT on the 11th day of
December, 2002.

Dated: December 13, 2002.

[SEAL]


Secretary

12/04/02
135330.00001

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RESERVED

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CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

Water Revenue Bond, Series 1994

BOND RESOLUTION

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CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF \$239,000 WATER REVENUE BOND, SERIES 1994, OF CENTRAL BARBOUR PUBLIC SERVICE DISTRICT, ON A PARITY WITH THE OUTSTANDING 1988 LOAN 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 AND ALL APPURTENANT FACILITIES IN THE DISTRICT; 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 BARBOUR 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 Barbour Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Barbour County of said State, duly created pursuant to the Act by The County Commission of Barbour 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 water line extensions within the Issuer's boundaries at 4-H Road, Sand Run Road, Point Pleasant Road and Midway Road, Barbour County, to serve approximately 99 customers, and all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, extensions or improvements thereto, are herein called the "System." The Issuer will purchase water from the City of Philippi pursuant to a water purchase contract between the Issuer and the City of Philippi. The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

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

D. The estimated maximum cost of the acquisition and construction of the Project is \$916,100, of which \$239,000 will be obtained from the proceeds of sale of the Bond herein authorized, \$194,600 from a grant by the Purchaser (as hereinafter defined), and \$482,500 from a grant by the Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia).

E. It is necessary for the Issuer to issue its revenue bond in the principal amount of \$239,000 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 the repayment of indebtedness incurred for Costs of the Project by the Issuer shall be deemed Costs of the Project.

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

G. There is an outstanding obligation of the Issuer which will rank on a parity with the Bond as to liens, pledge and source of and security for payment, being a loan evidenced by a promissory note dated May 18, 1988 (the "1988 Loan"), issued in the original aggregate principal amount of \$125,000 and held by the Barbour County Bank, Philippi, West Virginia. There are no other outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Bond as to liens, pledge and/or source of and security for payment.

The Issuer is not in default under the terms of the 1988 Loan 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 waiver thereof.

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 February 4, 1993, 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 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 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 or shall have been duly waived or otherwise provided for.

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" or "Bonds" means the Water Revenue Bond, Series 1994, authorized hereby.

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

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Green Engineering, Inc., Philippi, 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 Barbour County Bank, Philippi, 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," "Borrower" or "District" means Central Barbour Public Service District, in Barbour County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated February 4, 1993, and all amendments thereto, if any.

"1988 Loan" means the outstanding loan of the Issuer described in Section 1.02G hereof.

"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 Bond and into the Reserve Fund and Depreciation Fund 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, acting for and on behalf of the United States of America.

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

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

mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

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

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

"Registered Owner," "Bondholder," "Holder of the 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.

"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, extended, enlarged and expanded by the Project, and includes the complete waterworks system of the Issuer and

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$916,100, 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 1994," is hereby authorized to be issued in the aggregate principal amount of not exceeding \$239,000 for the purpose of 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 4 1/2 % 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. So long as the Bond shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be Federal Building, Room 320, 75 High Street, Morgantown, West Virginia 26505-7500, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of 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 first lien on the Net Revenues derived from the System on a parity with the 1988 Loan, in addition to the statutory mortgage lien on the System hereinafter provided. 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 all on a parity with the 1988 Loan.

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)

CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1994

\$239,000

No. R-1

Date: September 22, 1994

FOR VALUE RECEIVED, CENTRAL BARBOUR 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 TWO HUNDRED THIRTY-NINE THOUSAND DOLLARS (\$239,000), plus interest on the unpaid principal balance at the rate of 4 1/2% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$1,098, 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 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 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 the Borrower authorizing issuance of this Bond (the "Resolution").

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

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

This Bond is issued on a parity as to liens, pledge and source of and security for payment with the 1988 Loan described in the Resolution.

IN WITNESS WHEREOF, CENTRAL BARBOUR 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 BARBOUR PUBLIC SERVICE
DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

Route 2, Box 246
(P. O. Box No. or Street Address)

Philippi, West Virginia 26416
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

AMOUNT		DATE	AMOUNT		DATE
(1)	\$		(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with, 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;
- (2) Reserve Fund;
- (3) Depreciation Fund; and
- (4) Project Construction Account.

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 the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bond 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 herein and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided herein.

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

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

(2) The Issuer shall next, each month, (i) on or before the due date of payment of each installment of the 1988 Loan, transfer from the Revenue Fund and remit to the payee designated in the 1988 Loan, the amount required to pay the interest on the 1988 Loan, and to amortize the principal of the 1988 Loan over the life of the 1988 Loan; and (ii) simultaneously with the transfer set forth in subsection 4.03B(2)(i), on or before the due date of payment of each installment on the Bond, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond issue.

(3) The Issuer shall next, each month, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund, 1/12th of 1/10th of the amount, as of the date

of calculation, equal to the maximum amount of principal and interest which will become due on the Bond in any year, until the amount in the Reserve Fund equals such maximum amount (the "Minimum Reserve"). After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the 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 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 Minimum Reserve has been accumulated in the Reserve Fund, all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund and used for prepayment of the principal of the Bond.

(4) The Issuer shall next, each month, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and deposit in the Depreciation Fund, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Fund the aggregate sum of \$45,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Fund shall be used first to make up any deficiencies for monthly payments of principal of and interest on the 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 Fund, 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.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bond or for any lawful purpose.

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

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

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

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

C. CHANGE OF FISCAL AGENT. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank and

Fiscal Agent if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be at least 538 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

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

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

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

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 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 Bondholder.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bond and sufficient to make the payments required herein into the Reserve Fund and the Depreciation Fund 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 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 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) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; provided however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of \$50,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

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

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the 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.

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 set forth in the Final Order of the Public Service Commission of West Virginia, entered on May 21, 1991, Case No. 91-170-PWD-30B, which Final Order is incorporated herein by reference as a part hereof.

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of 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 Bondholder.

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


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

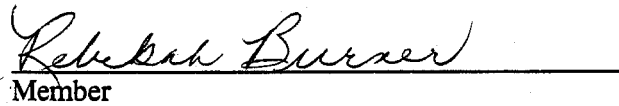
Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as

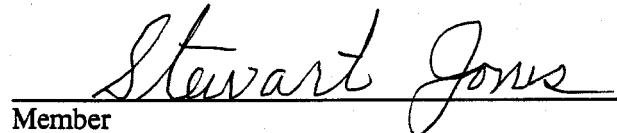
required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

Adopted: September 22, 1994.


Chairman of Public Service Board


Member


Member

09/12/94
CBJ.A3
135330/93001

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United States Department of Agriculture

Rural Development

75 High Street, Room 320
Morgantown, WV 26505-7500
(304) 284-4860
FAX (304) 284-4893
TDD (304) 284-5941
(For the Deaf or Hard of Hearing)

December 13, 2002

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

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative for the United States of America acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the entire outstanding aggregate principal amount of the Series 1994 Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2002 A (United States Department of Agriculture) (the "Series 2002 A Bonds"), in the original aggregate principal amount of \$2,000,000, by Central Barbour Public Service District (the "Issuer"), under the terms of the resolution authorizing the Series 2002 A Bonds on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's Water Revenue Bond, Series 1994 (the "Series 1994 Bonds"); (ii) waives any requirements imposed by the Series 1994 Bonds or the resolution authorizing the Series 1994 Bonds (the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Series 2002 A Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolution by the Resolution.

A handwritten signature in cursive script, reading "Jerry R. Luter".

Acting State Director

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: May 16, 2002

FINAL

06-05-02

CASE NO. 01-1489-PWD-CN

CENTRAL BARBOUR PUBLIC SERVICE DISTRICT,
a public utility.

Application for a certificate of convenience and necessity
to extend water lines within the District at US Route 92,
County Route 9, Bills Creek Road, Bear Run Road, Ten Mile
Road, Teter Creek Lane and Kirt Area in Barbour County.

COPY

RECOMMENDED DECISION

On October 30, 2001, Central Barbour Public Service District (District) filed with the Public Service Commission (Commission), pursuant to W.Va. Code §24-2-11, an application for a certificate of convenience and necessity to extend water lines within the District at US Route 92, County Route 9, Bills Creek Road, Bear Run Road, Ten Mile Road, Teter Creek Lane and Kirt Area in Barbour County. Documents were attached, including the following: (1) an agreement between the District and Green Engineering, Inc. (Green), executed October 6, 1997, for Green to provide engineering services for the project; (2) a June 30, 1999 letter of conditions for funding from the United States Department of Agricultural Rural Utilities Service (RUS); (3) an affidavit of publication on September 19, 2001, in the Barbour Democrat, of a prefiling notice stating that the District was proposing rate increases of approximately 40%. The notice emphasized that the proposed increases were based on averages of all customers, and stated, "Furthermore, the requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission."

On October 30, 2001, the Commission directed the District to publish a Notice of Filing, which provided that, if no protest was filed within thirty days after the date of publication, the Commission might waive formal hearing and grant the application based upon its review of the

were subject to change, "increases or decreases," by the Commission, and added, "Failure to timely protest or intervene can affect your right to protest aspects of this certificate case, including any associated rate increases[.]"

On November 26, 2001, the District filed an affidavit establishing that the Notice of Filing had been published on November 7, 2001, in the Barbour Democrat.

On December 7, 2001, Staff Attorney Ronald E. Robertson, Jr., filed an Initial Joint Staff Memorandum, with attached memorandum from John Mottesheard, Engineering Technician, Engineering Division, and James Boggess, Utilities Analyst 2, Water and Wastewater Division. Mr. Mottesheard stated that the proposed project, consisting of approximately 95,000 feet of water line and a 75,000 gallon storage tank and costing approximately \$2,017,325, would extend water service to approximately 175 additional customers in and around the Teter Creek Lake area in Barbour County; presently the District serves 715 customers. Mr. Mottesheard further stated that Staff was reviewing the engineering agreement between the District and Green. Mr. Boggess primarily discussed a draft of an agreement between the District and the City of Belington (Belington) for the District's purchasing of water from Belington; he opined that several revisions were necessary.

On December 11, 2001, the Commission, by Order, referred this matter to the Division of Administrative Law Judges (ALJ Division) for decision on or before May 28, 2002.

On February 8, 2002, the permit for the project, No. 15,140, from the State of West Virginia Office of Health Services, dated January 31, 2002, was filed.

On February 13, 2002, the District filed documents regarding the selection of Green as the engineer for the project: an affidavit of publication establishing that a notice requesting proposals was published on May 27, 1997, and minutes establishing that the board of the District had selected Green after interviewing representatives from three engineering companies. Also filed was a draft of a Bulk Water Contract, for the District to purchase from Belington up to approximately one million gallons of water per month, at the rate of \$1.80 per thousand gallons. The contract was to extend for a term of twenty years. By cover letter, the District averred that the rate was too high and that Belington wanted the rate simply because the District purchases water from the City of Philippi at that rate.

On February 25, 2002, Belington filed a letter providing its costs for producing water.

On May 6, 2002, Mr. Robertson filed a Final Joint Staff Memorandum, with an attached memorandum from Mr. Mottesheard and Mr. Boggess. Mr. Mottesheard included the following: The cost for the project per customer, with 9.7 customers per mile, would be approximately \$11,500. The District still awaits a permit from the Public Land Corporation, necessary for crossing a stream on public lands; upon receipt thereof, the permit will be forwarded to the Commission. Staff had

public lands; upon receipt thereof, the permit will be forwarded to the Commission. Staff had discovered that the engineering agreement had not been submitted to the Commission for approval. The District is aware that prior approval by the Commission is required; its failure in this instance was due to oversight. The District had complied with the requirements of Code Chapter 5G, however. Mr. Mottesheard opined that the engineering fee, totaling \$204,500, which is 11.5% of the total project cost of \$2.2 million, was within an acceptable range. Mr. Boggess provided a breakdown of the project costs, including a construction cost of approximately \$1,614,000, and stated the following: The funding for the project is a \$200,000 grant and a \$2,000,000 loan from RUS. The loan is scheduled for repayment over forty years, at a 4.5% rate of interest, and payment of interest only is required for the first two years. Apparently referring to an earlier version of the Bulk Water Contract, Mr. Boggess opined that blanks in it should be filled in to provide that Belington agreed to provide for a maximum of three million gallons of water per month, in order to accommodate expected growth; Staff had calculated that 912,500 gallons per month will be needed (apparently after completion of the project). Regarding the bulk rate, Mr. Boggess recommended that \$1.80 per thousand gallons be approved, but as an interim rate, because Belington will be filing an certificate application, pursuant to which a class cost of service study will be performed; in that matter costs can accurately be determined. Finally, Technical Staff determined that the proposed rates would provide insufficient revenue; a 44.5% overall rate increase would be necessary, as provided in an attached Staff-recommended tariff. Technical Staff's essential recommendations were that the certificate be granted; the engineering agreement be approved; the bulk water contract be approved, with revisions; and the Staff-recommended rates be approved. Mr. Robertson expressed concern that the Staff-recommended rates were higher than the proposed rates, and recommended that the certificate application be approved contingent upon the approval of rates adequate to support the project.

DISCUSSION

Belington has not been a party to this matter and, due to the imminent deadline for issuance of this decision, there is insufficient time for determining whether Belington has sufficient capacity to provide the District a maximum of three million gallons of water per month, or whether Belington has any other objection to providing that amount of water. The undersigned ALJ will join Belington as a party in interest and will approve the filed agreement as an interim agreement. The parties will be required to file a revised agreement within six months of the date on which this decision becomes final. The agreement must be revised to include an agreement that Belington will provide to the District more than a maximum of one million gallons of water per month; the parties must examine how many gallons would be appropriate.¹

¹The parties may find that other revisions to the agreement also are appropriate.

When customers of a utility have not been provided proper notice of Staff-recommended rates that are higher than those proposed by the utility, ordinarily those rates should not be approved until the utility's customers have been provided notice of them and have been provided opportunity to object to them. The special circumstances of this matter, however, support that such notice is not necessary in this case: The District's customers already have been informed twice that the Commission might increase the rates beyond the proposed increases of 40%, and no customer has voiced any objection. The Staff-recommended increases are only 4.5% over the proposed rates. It is deemed appropriate to accept that, if the District's customers had no objection to a 40% increase, they would not object to a 44.5% increase, or, alternatively, that any customer that might object has waived his or her right to do so.

FINDINGS OF FACT

1. On October 30, 2001, Central Barbour Public Service District filed with the Public Service Commission an application for a certificate of convenience and necessity to extend water lines within the District at US Route 92, County Route 9, Bills Creek Road, Bear Run Road, Ten Mile Road, Teter Creek Lane and Kirt Area in Barbour County. The project will consist of approximately 95,000 feet of water line and a 75,000 gallon storage tank. (See application; Initial Joint Staff Memorandum filed December 7, 2001; Final Joint Staff Memorandum filed May 6, 2002).
2. The District filed an agreement between it and Green Engineering, Inc., executed October 6, 1997, for Green to provide design and contract administration engineering services for the project. The District's failure to file the agreement with the Commission previously was inadvertent. (See agreement filed October 30, 2001; Final Joint Staff Memorandum).
3. The District filed an unexecuted Bulk Water Contract between it and the City of Belington, which included the following terms: Belington agreed to provide to the District up to approximately one million gallons of water per month, at the rate of \$1.80 per thousand gallons. The contract was to extend for a term of twenty years. (See contract filed February 13, 2002).
4. The District published, on May 27, 1997, in the Barbour Democrat, a notice requesting engineering services for the project. The District interviewed three engineering firms and selected Green Engineering, Inc., as the most qualified. (See documents filed February 13, 2002).
5. Commission Staff determined that the engineering fee, totaling \$204,500, which is 11.% of the total project cost, is within an acceptable range. While expressing concern that the District failed to seek Commission approval of the engineering agreement prior to filing its application for a certificate, Staff recommended that the agreement be approved. (See Final Joint Staff Memorandum).

6. Staff calculated that the District will need 912,500 gallons of water per month. Staff recommended that, in order to meet expected future needs, the Bulk Water Contract be revised to include an agreement that Belington provide to the District a maximum of three million gallons of water per month, and that the \$1.80 rate be approved as an interim rate until Belington's actual costs are determined in a certificate case that Belington will be filing. (See Final Joint Staff Memorandum).

7. Belington has not been added as a party-in-interest in this matter. (See case file generally).

8. Legal notices published on September 19, 2001, and November 7, 2001, in the Barbour Democrat advised the District's customers that the District was proposing to the Commission rate increases of approximately 40%, and that "the requested rates and charges are only a proposal and subject to change (increases or decreases) by the Public Service Commission." The second notice, the Notice of Filing, further provided the District's customers the opportunity to protest the rates, and stated, "Failure to timely protest or intervene can affect your right to protest aspects of this certificate case, including any associated rate increases[.]" No protests were filed. (See affidavits dated October 30 and November 7, 2001; case file generally).

9. The total project cost is estimated at \$2,017,325, including construction costs totaling \$1,614,000. (See application; Final Joint Staff Memorandum).

10. The funding for the project is a \$200,000 grant and a \$2,000,000 loan from the United States Department of Agriculture Rural Utilities Service. The loan is scheduled for repayment over 20 years, at a 4.5% rate of interest, and payment of interest only is required for the first two years. (See application; Final Joint Staff Memorandum).

11. On January 31, 2002, the State of West Virginia Office of Health Services approved the project by issuance of Permit No. 15,140. (See February 8, 2002 filing).

12. The District is awaiting a permit from the Public Land Corporation. (See Final Joint Staff Memorandum).

13. The project will add approximately 175 customers to the District's present 715. The project is needed due to poor water quality and limited availability of water in the rural areas of Barbour County. Commission Staff recommended that the application be granted. (See application; Final Joint Staff Memorandum).

14. The District proposed raising its rates by 40%. Upon review, Staff determined that rate increases of approximately 44.5%, as provided in Appendix A, were needed in order for the District to meet its financial needs. (See application; Final Joint Staff Memorandum).

IT IS FURTHER ORDERED that the application filed on October 30, 2001, by Central Barbour Public Service District for a certificate of convenience and necessity to construct additions to its water system be granted and the project be approved, contingent upon the District receiving the necessary permit from the Public Land Corporation.

IT IS FURTHER ORDERED that Central Barbour Public Service District file with the Commission said permit from the Public Land Corporation as soon as possible.

IT IS FURTHER ORDERED that the funding for the project, consisting of a \$200,000 grant and a \$2,000,000 loan from the United States Department of Agriculture Rural Utilities Service, be approved.

IT IS FURTHER ORDERED that the increased rates and charges, as contained in the Approved Tariff, attached hereto as Appendix A, be approved, to become effective upon completion of the project.

IT IS FURTHER ORDERED that Central Barbour Public Service District file with the Commission's Tariff Office an original and five copies of the approved tariff within thirty (30) days of the date on which the certificated project becomes operational.

IT IS FURTHER ORDERED that, if there is any change in the cost of the project, estimated at \$2,017,325, or in the terms, conditions, or scheduling of the project, Central Barbour Public Service District file a petition with the Commission for approval of such revisions.

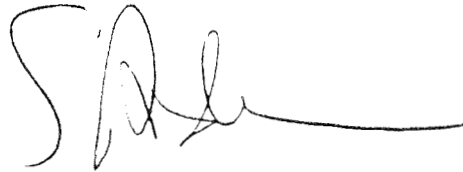
IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon Commission Staff by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

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

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

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

A handwritten signature in black ink, appearing to read 'Sunya Anderson', with a long horizontal flourish extending to the right.

Sunya Anderson
Administrative Law Judge

SA:s
011489a.wpd

CASE NO. 01-1489-PWD-CN
CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

APPROVED TARIFF

APPLICABILITY

Applicable in the entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service.

RATES

First	3,000 gallons used per month	\$6.94 per 1,000 gallons
Next	3,000 gallons used per month	\$6.34 per 1,000 gallons
Next	4,000 gallons used per month	\$5.77 per 1,000 gallons
Next	10,000 gallons used per month	\$5.19 per 1,000 gallons
All Over	20,000 gallons used per month	\$4.61 per 1,000 gallons

MINIMUM CHARGE

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

5/8 inch meter	\$ 20.82
3/4 inch meter	31.23
1 inch meter	52.05
1-1/2 inch meter	104.10
2 inch meter	166.56
3 inch meter	312.30
4 inch meter	520.50
6 inch meter	1,041.00

DELAYED PAYMENT PENALTY

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

CONNECTION CHARGE

Prior to construction ----- \$100.00

After construction passes the premises to be served, charge for connection
to system ----- \$250.00

RECONNECTION CHARGE ----- \$ 20.00

RETURN CHECK CHARGE

The District may not collect any fee greater than that charged to it by any banking institution and under no circumstances shall the fee collected exceed fifteen dollars (\$15.00).

LEAK ADJUSTMENT RATE

\$2.78 per 1,000 gallons. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

6

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Directors

OF THE Central Barbour Public Service District

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS
Water System Expansion

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Central Barbour Public Service District

(Public Body)

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

TWO MILLION AND XX / 100

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

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ \$ 200,000.00

under the terms offered by the Government; that the Chairman

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

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

The vote was: Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the Board of Directors of the

Central Barbour Public Service District has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 7 day of July 1999

Central Barbour Public Service District

(SEAL)

Attest:

Katherine Becker

Title _____

By

Hugh C. Dougherty
Hugh Dougherty, Chairman

Title

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as President of the Central Barbour Public Service District

hereby certify that the Board of Directors of such Association is composed of

3 members, of whom 2 constituting a quorum, were present at a meeting thereof duly called and

held on the 7th day of July, 1999; and that the foregoing resolution was adopted at such meeting

by the vote shown above, I further certify that as of December 13, 2002,
the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
rescinded or amended in any way.

Dated, this 13th day of December 2002

Stewart Jones
Title President

7

CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

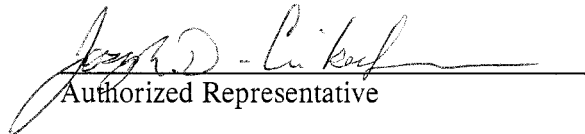
Water Revenue Bonds, Series 2002 A
(United States Department of Agriculture)

RECEIPT FOR BOND

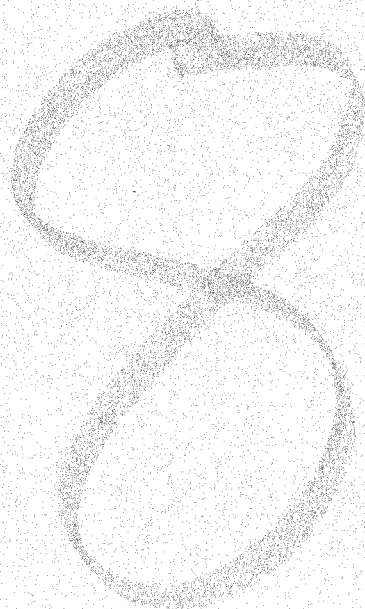
The undersigned, authorized representative of the United States Department of Agriculture, Rural Utilities Service, for and on behalf of the United States of America (the "Purchaser"), hereby certifies as follows:

1. On the 13th day of December, 2002, at Philippi, West Virginia, the undersigned received for the Purchaser the single, fully registered Central Barbour Public Service District Water Revenue Bonds, Series 2002 A (United States Department of Agriculture), No. AR-1, in the principal amount of \$2,000,000 (the "Bonds"), dated the date hereof, bearing interest at the rate of 4.5% per annum, payable in monthly installments as stated in the Bonds. The Bonds represent the entire above-captioned Bond issue.
2. At the time of such receipt, the Bonds had been executed and sealed by the designated officials of the Public Service Board of Central Barbour Public Service District (the "Issuer").
3. At the time of such receipt, there was paid to the Issuer the sum of \$118,000, being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

WITNESS my signature on this 13th day of December, 2002.


Authorized Representative

12/04/02
135330.00001



SP

SPECIMEN

CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

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

\$2,000,000

No. AR-1

Date: December 13, 2002

FOR VALUE RECEIVED, CENTRAL BARBOUR 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 TWO MILLION DOLLARS (\$2,000,000), plus interest on the unpaid principal balance at the rate of 4.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$9,180 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted December 13, 2002, authorizing issuance of this Bond (the "Resolutions").

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


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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S WATER REVENUE BOND, SERIES 1994, DATED SEPTEMBER 22, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$239,000.

IN WITNESS WHEREOF, CENTRAL BARBOUR 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 BARBOUR
PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]


Chairman, Public Service Board
Route 2, Box 246
Philippi, West Virginia 26416

ATTEST:


Secretary, Public Service Board

RECORD OF ADVANCES

AMOUNT		DATE		AMOUNT		DATE	
(1)	\$118,000	December 13, 2002		(19)	\$		
(2)	\$			(20)	\$		
(3)	\$			(21)	\$		
(4)	\$			(22)	\$		
(5)	\$			(23)	\$		
(6)	\$			(24)	\$		
(7)	\$			(25)	\$		
(8)	\$			(26)	\$		
(9)	\$			(27)	\$		
(10)	\$			(28)	\$		
(11)	\$			(29)	\$		
(12)	\$			(30)	\$		
(13)	\$			(31)	\$		
(14)	\$			(32)	\$		
(15)	\$			(33)	\$		
(16)	\$			(34)	\$		
(17)	\$			(35)	\$		
(18)	\$			(36)	\$		

TOTAL \$ _____

(FORM OF)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

08/14/02
135330.00001

LB

CH567385.1

9

December 13, 2002

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

Central Barbour Public Service District
Philippi, West Virginia

United States Department of Agriculture
Morgantown, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Central Barbour Public Service District in Barbour County, West Virginia (the "Issuer"), of its \$2,000,000 Water Revenue Bonds, Series 2002 A, 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 December 11, 2002 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. Pursuant to the Act, the Resolution creates a valid first 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 1994, dated September 22, 1994, issued in the original aggregate principal amount of \$239,000.

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

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

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

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

Very truly yours,


STEPTOE & JOHNSON PLLC

10

E. LYNN PHILLIPS
Attorney at Law
Post Office Box 38
Philippi, West Virginia 26416

Phone: (304) 457-1811
Fax: (304) 457-4820

December 13, 2002

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

Central Barbour Public Service District
Philippi, West Virginia

Steptoe & Johnson PLLC
Clarksburg, West Virginia

United State Department of Agriculture
Morgantown, West Virginia

Ladies and Gentlemen:

I am counsel to Central Barbour Public Service District, a public service district in Barbour County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a resolution of the Issuer duly adopted December 11, 2002 (the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Barbour County relating to the creation of the Issuer and the appointment of members of Public Service Board of the Issuer. All capitalized terms used in the Resolution and not otherwise defined herein shall have the same meanings as defined in the Resolution when used herein.

I am of the opinion that:

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

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

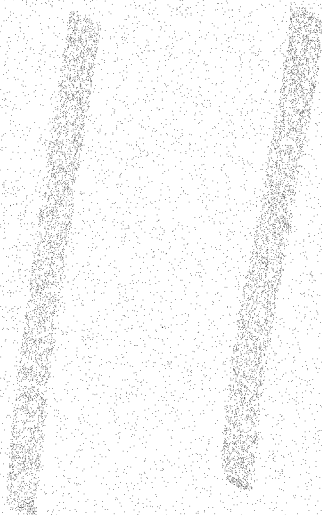
5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the due creation and valid existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "E. Lynn Phillips". The signature is fluid and cursive, with the first name "E" being particularly large and stylized.

E. Lynn Phillips, Esquire



CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

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

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Central Barbour Public Service District in Barbour County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, acting for the Issuer and in its name, hereby state and certify in connection with the Central Barbour Public Service District Water Refunding Revenue Bonds, Series 2002 A (United States Department of Agriculture), No. AR-1, dated the date hereof, fully registered, in the principal amount of \$2,000,000 and bearing interest at the rate of 4.5% per annum (the "Bonds" or the "Series 2002 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

June 30, 1999, and all amendments thereto, and as appears in Section 7.03 of the Resolution of the Issuer duly adopted December 11, 2002, authorizing issuance of the Bonds (the "Resolution" or "Bond Resolution"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Bonds are being issued on this date to finance a portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

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

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

The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on May 16, 2002, in Case No. 01-1489-PWD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the Final Order has expired prior to the date hereof.

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

There is outstanding an obligation of the Issuer which will rank on a parity with the Series 2002 A Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bond, Series 1994, dated September 22, 1994, issued in the original

aggregate principal amount of \$239,000 and held by the Purchaser (the "Prior Bonds"). Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2002 A Bonds as to liens, pledge and/or source of and security for payment.

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

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

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

Bond Resolution

Supplemental Resolution

1994 Bond Resolution

Consent to Issuance of Parity Bonds

Public Service Commission Order

United States Department of Agriculture Loan Resolution

County Commission Orders Regarding Creation and Enlargement of the District

County Commission Orders of Appointment of Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Borrowing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Rules of Procedure and Bond Resolution

United States Department of Agriculture Letter of Conditions and Closing Instructions

United States Department of Agriculture Grant Agreement

Water Purchase Contract with the City of Phillipi

Water Purchase Contract with City of Belington

7. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Central Barbour Public Service District" and its principal office and place of business are in Barbour County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Stewart Jones	05/30/00	05/31/06
Rebekah Burner	06/29/02	06/30/08
Darrel Strait	09/29/99	09/30/04

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

Chairman	-	Stewart Jones
Secretary	-	Becky Burner
Treasurer	-	Darrel Strait

The duly appointed and acting Attorney for the Issuer is E. Lynn Phillips, Esquire, of Philippi, West Virginia.

8. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Bonds were delivered to the Purchaser at Philippi, 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 \$118,000 was received by the undersigned Chairman, being a portion of the principal amount of Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.5% per annum is payable from the date of each such advance.

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

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

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

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

12. CONNECTIONS, ETC.: The Issuer will serve at least 801 bona fide full-time users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

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

14. GRANTS: As of the date hereof, the grant from the Purchaser in the amount of \$200,000 is committed and in full force and effect.

15. 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.

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. 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 BARBOUR
PUBLIC SERVICE DISTRICT on this 13th day of December, 2002.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Stewart Jones

Chairman

Rebekah Barker

Secretary

E. C. Cope

Attorney for Issuer

12/04/02
135330.00001

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CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

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

ENGINEER'S CERTIFICATE

I, Michael Green, Registered Professional Engineer, West Virginia License No. 7621, of Green Engineering, Inc., Philippi, 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 Barbour Public Service District (the "Issuer"), to be acquired and constructed in Barbour County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned bonds of the Issuer.

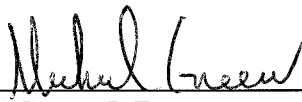
I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that the System and the Project are situate wholly or chiefly within the boundaries of the Issuer.

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

WITNESS my signature on this 13th day of December, 2002.



GREEN ENGINEERING, INC.



Michael Green, P.E.
West Virginia License No. 7621

12/04/02
135330.00001

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WHEREAS, It has come to the attention of this Court that there is and has been a shortage of building sites within the municipality of Philippi, making it necessary for home builders to acquire lots outside said municipality, and,

WHEREAS, this movement to the suburbs has rapidly accelerated the last several years which has resulted in a need for sewer and water services in several communities, particularly South and West of said municipality,

NOW, THEREFORE, The County Court of Barbour County, West Virginia, on its own motion, as permitted by Chapter 16, Article 13a, Section 2, proposes the creation of a public service district to enable residents of Barbour County to plan, develop, install and maintain sewer and water services in those areas where such a need exists.

It is, therefore, ordered that a public hearing be held in the Circuit Court Room of Barbour County, West Virginia at ⁸8:00 P.M., 16, August , 1972, at which time and place all persons residing in, or owning, or having an interest in, property within the confines of the public service district intended to be established, hereinafter designated by metes and bounds, shall have an opportunity to be heard for or against its creation.

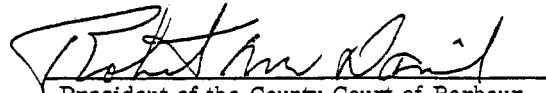
The proposed public service district lies roughly between the Tygarts Valley River on the West, the Barbour-Tucker County line on the East, and the Chestnut Ridge Public Service District on the North, and is more particularly bounded and described as follows:

Beginning at a point in the boundary of the Chestnut Ridge Public Service District, being a corner on the City of Philippi Corporation boundary, about 0.12 mile East of the water tank on a hill above Sara Belle Tetrick's property. Thence following five lines of said Chestnut Ridge Public Service District S. 58 45 E. 0.85 mile; S. 36 30 E. 1.01 miles; N. 84 15 E. 1.20 miles; N. 69 30 E. 1.87 miles; N. 64 45 E. 1.71 miles; thence S. 47 12 E. 1.04 miles to a point at the top of a hill, elevation 1,948 feet; thence S. 87 05 E. 3.47 miles to a point on Laurel Mountain, elevation 2,640 feet; thence S. 12 32 E. 2.84 miles to a point on the Barbour-Tucker County line, elevation 2,600 feet; thence S. 59 46 W. 2.65

miles to a geological bench mark, elevation 2,081 feet North of the junction of Secondary Routes 28 and 40, thence S. 83 29 W. 6.97 miles to a point on the top of a hill, elevation 2,060 feet; thence N. 79 46 W. 1.97 miles to a point in the center of the Tygart Valley River; thence following the meanders of said river 6.99 miles, in a northerly direction to a point in the center of said river, 0.18 mile from Dayton Park pool; thence following four lines of the City of Philippi Corporation boundary; S. 62 35 E. 0.288 mile; N. 76 51 E. 0.285 mile; S. 48 10 E. 0.362 mile; N. 53 07 E. 0.07 mile; thence N. 9 39 W. 0.706 mile to the point of beginning, containing 60.5 square miles area, more or less.

It is further ordered that the Clerk of this Court cause this Order to be published in the Barbour Democrat, a newspaper of general circulation in Barbour County, as a Class I legal advertisement, at least ten days prior to the date of said hearing, and in addition, post in at least five conspicuous places within the proposed public service district, a similar notice not less than ten days before said hearing.

All of which is considered and ordered by the Court on this 19th day of July, 1972, and direct that the Clerk of this Court shall enter this order of record and carry out the directions herein contained.


President of the County Court of Barbour
County, West Virginia

CERTIFICATE

STATE OF WEST VIRGINIA.
BARBOUR COUNTY, SS:

I, GLENNA G. PROPST, Clerk of Barbour County, West Virginia, hereby certify that the foregoing is a full, true, correct and complete copy of the Instrument as the same appears of record in my office in Miscellaneous Record Book No. 20, Page 123.

WITNESS my hand and official seal.


CLERK, BARBOUR COUNTY, WEST VIRGINIA

IN THE COUNTY COURT OF BARBOUR COUNTY, WEST VIRGINIA

Pursuant to an order entered by this Court on July 19, 1972, a public hearing has been held in the Circuit Court Room in Barbour County, West Virginia, in the City of Philippi, at 8:00 P.M. on August 16, 1972, at which time and place a large number of persons appeared for the purpose of expressing their views on the formation of a new public service district within Barbour County.

The Clerk of this Court testified that she has caused to be published in the Barbour Democrat, a newspaper of general circulation in Barbour County, as a Class I advertisement, On July 26, 1972, a map of the boundaries of the proposed public service district, as well as a copy of said July 19, 1972 order of this Court, including the legal description of the proposed district. And in addition, evidence was presented to the Court that on the same date at least five copies of said July 19, 1972 order were posted in at least five conspicuous places within the proposed public service district, all as required by law.

At said August 16, 1972 meeting everyone present had an opportunity to be heard on the formation of the proposed district and the consensus was that there is a great need for such a district, and the Court, being of the opinion that the creation of such a district is feasible; and that the establishment of such a district will be conducive to the preservation of public health, comfort and convenience of the area.

NOW, THEREFORE, in accordance with the powers granted unto this Court by Chapter 16, Article 13a of the Code of West Virginia, as amended, there is hereby created a new public service district entitled CENTRAL BARBOUR PUBLIC SERVICE DISTRICT, which shall have jurisdiction and control of all ^{FUTURE} sewer and water projects within that portion of Barbour County bounded and described as follows:

Beginning at a point in the boundary of the Chestnut Ridge Public Service District, being a corner on the City of Philippi Corporation boundary, about 0.12 mile East of the water tank on a hill above Sara Belle Tetrick's property. Thence following five lines of said Chestnut Ridge Public Service District S. 58 45 E. 0.85 mile; S. 36 30 E. 1.01 miles; N. 84 15 E. 1.20 miles; N. 69 30 E. 1.87 miles; N. 64 45 E. 1.71 miles; thence S. 47 12 E. 1.04 miles to a point at the top of a hill, elevation 1,948 feet; thence S. 87 05 E. 3.47 miles to a point on Laurel Mountain, elevation 2,640 feet; thence S. 12 32 E. 2.84 miles to

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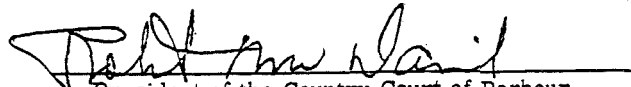
a point on the Barbour-Tucker County line, elevation 2,600 feet; thence S. 50 46 W. 2.65 miles to a geological bench mark, elevation 2,081 feet North of the junction of Secondary Routes 28 and 40, thence S. 83 29 W. 6.97 miles to a point on the top of a hill, elevation 2,000 feet; thence N. 79 46 W. 1.97 miles to a point in the center of the Tygart Valley River; thence following the meanders of said River 6.99 miles, in a northerly direction to a point in the center of said River, 0.18 mile from Dayton Park pool; thence following four lines of the City of Philippi Corporation boundary; S. 62 35 E. 0.288 mile; N. 76 51 E. 0.285 mile; S. 48 10 E. 0.362 mile; N. 53 07 E. 0.07 mile; thence N. 9 39 W. 0.706 mile to the point of beginning, containing 60.5 square miles area, more or less.

It is further Ordered that from this day forth the Central Barbour Public Service District shall be a public corporation and political sub-division of the State with power of perpetual succession, but without any power to levy or collect ad valorem taxes, and shall be empowered with all powers, duties and responsibilities accorded a public service district by Chapter 16, Article 13a, of the Code of West Virginia, as presently in force and hereafter amended.

In further compliance with said Code of West Virginia, there is hereby appointed a public service board consisting of three members, all of whom are persons residing within said district, namely: Hugh C. Daugherty, Keith Ensminger, and WILLIAM PAUL PROUDFOOT.

It is further ordered that the first named member of the board shall serve for a period of six years; that the second named member of the board shall serve for a period of four years; and that the third named member of the board shall serve for a period of two years.

All of which is considered and ordered by the Court on this 16th day of August, 1972, and direct that the Clerk of this Court shall enter this Order of record.



President of the County Court of Barbour
County, West Virginia

CERTIFICATE

STATE OF WEST VIRGINIA,
BARBOUR COUNTY, SS:

I, GLENNA G. PROPST, Clerk of Barbour County, West Virginia, hereby certify that the foregoing is a full, true, correct and complete copy of the Instrument as the same appears of record in my office in Miscellaneous Record Book No. 20 Page 129

WITNESS my hand and official seal.



WHEREAS, It has come to the attention of this Commission that there is a need for an expansion in the boundaries of the Central Barbour Public Service District of this County in order to alleviate need for water on the Southern end of Barbour County, and North of Belington, West Virginia, and

WHEREAS, Said Public Service District is in the midst of planning water service throughout its District, and finds it economically feasible to extend said project to service additional customers in said area, which necessitates an expansion of the Public Service District.

NOW, THEREFORE, the County Commission of Barbour County, West Virginia, on a motion by the Board of said District, as permitted by Chapter 16, Article 13A, Section 2, to expand the Central Barbour Public Service District to enable additional residents of Barbour County to plan, develop, install and maintain sewer and water services in those areas where such a need exists.

IT IS, THEREFORE, ORDERED that a public hearing be held in the County Court Room of Barbour County, West Virginia at 10:00 A.M., Monday JULY 17th, 1978, at which time and place all persons residing in, or owning, or having an interest in property within the confines of the planned expansion of said Public Service District hereinafter designated by metes and bounds, shall have an opportunity to be heard for or against the expansion.

The proposed expansion of said Public Service District lies roughly South of the existing District and is more particularly bounded and described as follows:

Beginning at a point on the original boundary line of the Central Barbour Public Service District and in the center of the Tygart Valley River; thence with the original boundary line of the Central Barbour Public Service District S. 79 46 E. 1.97 miles to a point on the top of a hill, elevation 2060 feet; thence with the original boundary line of the Public Service District, N. 83 29 E. 2.5 miles to the intersection of West Virginia Secondary Routes 44, 44/1 and 9/8; thence leaving original line of the Central Barbour Public Service District S. 2 30 W. 1.3 miles to the top of a knoll, elevation 2120+ feet; thence S. 62 00 W. 1.91 miles to the Tygart River crossing U.S. Route 250 just south of its intersection with West Virginia Secondary Route 30; thence with the Tygart Valley River 4.47 miles to the place of beginning containing 7.49 square miles. Being a traverse scaled from Geological Survey maps, scale 1" = 2000', in the following quadrangles, Audra dated 1960 and Belington date 1969.

It is further ordered that the Clerk of this Commission cause this Order to be published in the Barbour Democrat, a newspaper of general circulation in Barbour County, as a Class I legal advertisement, at least ten days prior to the date of said hearing, and in addition, post in at least five conspicuous places within the proposed public service district, a similar notice not less than ten days before said hearing.

All of which is considered and ordered by the Commission on this 3rd. day of July, 1978, and direct that the Clerk of this Commission shall enter this order of record and carry out the directions herein contained.

(21-120)

James P. Stample
James P. Stample, President of the
County Commission of Barbour County,
West Virginia.

County, West Virginia

CERTIFICATE

STATE OF WEST VIRGINIA,
BARBOUR COUNTY, SS:

I, GLENNA G. PROPST, Clerk of Barbour County, West Virginia, hereby certify that the foregoing is a full, true, correct and complete copy of the Instrument as the same appears of record in my office in...Miscellaneous Record...Book No. 20...Page. 129

WITNESS my hand and official seal.

Glenna G. Propst

IN THE COUNTY COMMISSION OF BARBOUR COUNTY, WEST VIRGINIA

Pursuant to an order entered by this Court on July 3rd, 1978, a public hearing has been held in the County Court Room in Barbour County, West Virginia, in the City of Philippi, at 10:00 A.M. on July 17, 1978, at which time and place a number of persons appeared for the purpose of expressing their views on the expansion of the Central Barbour Public Service District within Barbour County.

The Clerk of this Court testified that she has caused to be published in the Barbour Democrat, a newspaper of general circulation in Barbour County, as a Class I advertisement, on July 5, 1978, a map of the boundaries of the proposed expansion, as well as a copy of said order of this Court, including the legal description of the proposed district. And in addition, evidence was presented to the Court that on the same date at least five copies of said order were posted in at least five conspicuous places within the proposed expansion, all as required by law.

At said July 17, 1978 meeting everyone present had an opportunity to be heard on the formation of the proposed expansion and the consensus was that there is a great need for such an expansion, and the Court, being of the opinion that the expansion of said district is feasible, and that said expansion will be conducive to the preservation of public health, comfort and convenience of the area,

NOW, THEREFORE, in accordance with the powers granted unto this Court by Chapter 16, Article 13a of the Code of West Virginia, as amended, it is hereby ordered that the Central Barbour Public Service District be expanded along its southern boundary for a total area of 7.5 square miles along its southern boundary, and as described by metes and bounds as follows:

Beginning at a point on the original boundary line of the Central Barbour Public Service District and in the center of the Tygart Valley River; thence with the original boundary line of the Central Barbour Public Service District S 79° 46' E. 1.97 miles to a point on the top of a hill, elevation 2260 feet; thence with the original boundary line of the Central Barbour Public Service District N 83° 29' E. 2.5 miles to the intersection of West Virginia

Secondary Routes 44, 44/1, and 9/8; thence leaving original line of the Central Barbour Public Service District S. $2^{\circ} 30'$ W 1.3 miles to the top of a knoll, elevation 2120+ feet; thence S. $62^{\circ} 00'$ W 1.91 miles to the Tygart River crossing U.S. Route 250 just south of its intersection with West Virginia Secondary Route 30; thence with the Tygart Valley River 4.47 miles to the place of beginning containing 7.5 square miles. Being a traverse scaled from Geological Survey maps, scale 1" = 2000', in the following quadrangles, Audra dated 1960 and Belington dated 1969.

All of which is considered and ordered by the Court on the 5th day of September, 1978, and direct that the Clerk of this Commission shall enter this Order of record.


President of the County Commission of
Barbour County, West Virginia

Motion made by James Keen & second James P. Stemple to purchase land in front of Barbour County Park & Recreation Ground from Beatrice Findley for \$1,000. from General Revenue Sharing.

State Wide Notary Public approved Mark D. Nigh.

The County Commission approved to hire employee at the Barbour County Park & Recreation grounds \$3.17 hr. Anti-Recession Fund.

Pursuant to the "Sunshine Law" of 1975 as amended the Barbour County Commission will advertise in the Barbour Democrat their meeting dates & also post on the bulletin Board all Special Meetings.

IN THE COUNTY COMMISSION OF BARBOUR COUNTY, WEST VIRGINIA:

Pursuant to an order entered by this Court on July 3rd. 1978, a public hearing has been held in the County Court Room in Barbour County, West Virginia, in the City of Philippi, at 10:00 A.M. on July 17, 1978, at which time and place a number of persons appeared for the purpose of expressing their views on the expansion of the Central Barbour Public Service District within Barbour County.

The Clerk of this Court testified that she has caused to be published in the Barbour Democrat, a newspaper of general circulation in Barbour County, as a Class I advertisement, on July 5th. 1978, a map of the boundaries of the proposed expansion, as well as a copy of said order of this Court, including the legal description of the proposed district. And in addition, evidence was presented to the Court that on the same date at least five copies of said order were posted in at least five conspicuous places within the proposed expansion, all as required by law.

At said July 17, 1978 meeting everyone present had an opportunity to be heard on the formation of the proposed expansion and the consensus was that there is a great need for such an expansion, and the Court, being of the opinion that the expansion of said district is feasible, and that said expansion will be conducive to the preservation of public health, comfort and convenience of the area,

NOW THEREFORE, in accordance with the powers granted unto this Court by Chapter 16, Article 13a of the Code of West Virginia, as amended, it is hereby ordered that the Central Barbour Public Service District be expanded along its southern boundary for a total area of 7.5 square miles along its southern boundary, and as described by metes and bounds as follows:

Beginning at a point on the original boundary line of the Central Barbour Public Service District and in the center of the Tygart Valley River; thence with the original boundary line of the Central Barbour Public Service District S 79° 46' E. 1.97 miles to a point on the top of a hill, elevation 2060 feet; thence with the original boundary line of the CENTRAL BARBOUR PUBLIC SERVICE DISTRICT N 83° 29' E. 2.5 miles to the intersection of West Virginia Secondary Routes 44, 44/1, and 9/8; thence/original line of the Central Barbour Public Service District, ^{leaving} S. 2° 30' W 1.3 miles to the top of a knoll, elevation 2120+ feet; thence S. 62° 00' W 1.91 miles to the Tygart River crossing U.S. Route 250 just south of its intersection with West Virginia Secondary Route 30; thence with the Tygart Valley River 4.47 miles to the place of beginning containing 7.5 square miles. Being a traverse scaled from Geological Survey maps, scale 1" = 2000', in the following quadrangles, Audra dated 1960 and Belington dated 1969.

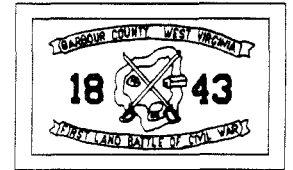
All of Which is considered and ordered by the Court on this 5th. day of September, 1978, and direct that the Clerk of this Commission shall enter this order of record.

(21-132)

James P. Stemple,
President of the County Commission of
Barbour County, West Virginia.

IT IS HEREBY ORDERED THAT COURT DO NOW ADJOURN UNTIL MONDAY SEPTEMBER 18th. 1978, at 9 A.M.

14



County Commission of Barbour County

DEBRA H. TALBOTT

8 NORTH MAIN ST.

PHILIPPI, WEST VIRGINIA 26416

October 28, 2002

TO WHOM IT MAY CONCERN:

I, Debra H. Talbott, Clerk of the County Commission of Barbour County, West Virginia, having care and custody of the records of said County, do hereby certify that the following persons have duly been appointed to the CENTRAL BARBOUR PUBLIC SERVICE DISTRICT as BOARD MEMBERS for the term of (6) years to expire as follows:

REBEKAH BURNER term expires: JUNE 30, 2008

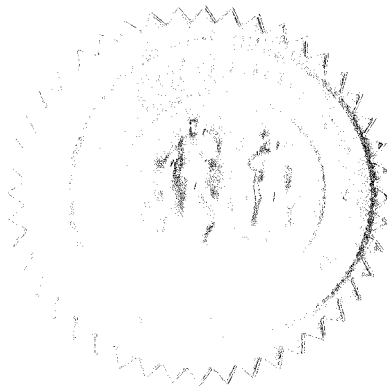
STUART JONES term expires: MAY 31, 2006

DARREL STRAIT term expires: SEPTEMBER 30, 2004

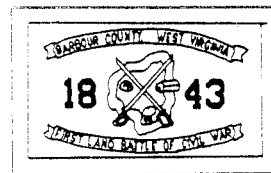
ATTEST:

A handwritten signature in cursive script that reads "Debra H. Talbott".

Debra H. Talbott, Clerk
Barbour County Commission



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County Commission of Barbour County

DEBRA H. TALBOTT

8 NORTH MAIN ST.

PHILIPPI, WEST VIRGINIA 26416

Oath of Office and Certificate

STATE OF WEST VIRGINIA

Barbour County, to-wit:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of _____

**** MEMBER - CENTRAL BARBOUR PUBLIC SERVICE DISTRICT ****

to the best of my skill and judgment: SO HELP ME GOD.

Signature of Affiant

Rebekah A. Burner

Rebekah A. Burner

Subscribed and sworn to before me, in said County and State, this 27th

day of August, 2002.

Debra H. Talbott

Oath of Office and Certificate

STATE OF WEST VIRGINIA
Barbour County, to-wit:

I do solemnly swear that I will support the Constitution of the United States and the
Constitution of the State of West Virginia, and that I will faithfully discharge the duties

of the office of ** CENTRAL BARBOUR PUBLIC SERVICE DISTRICT **

to the best of my skill and judgment: SO HELP ME GOD.

Signature of Affiant

Stewart Jones

Subscribed and sworn to before me, in said County and State, this 25TH.

day of MAY, 2000.

Debra H. Talbott

DEBRA H. TALBOTT, CLERK

BY; MACEL L. AUVIL, DEPUTY CLERK

Oath of Office and Certificate

STATE OF WEST VIRGINIA

Barbour County, to-wit:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties

of the office of _____

MEMBER OF CENTRAL BARBOUR PUBLIC SERVICE DISTRICT TO FILL THE

UNEXPIRED TERM OF HUGH DAUGHERTY - EXPIRES: SEPTEMBER 30, 2002

to the best of my skill and judgment: SO HELP ME GOD.

Signature of Affiant

John D. Strait

Subscribed and sworn to before me, in said County and State, this 16

day of march, 2000

Debra H. Talbott

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RULES OF PROCEDURE
CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: CENTRAL BARBOUR PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Philippi, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Central Barbour Public Service District, and in the center "seal" as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Barbour County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the third Thursday of each month, at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Barbour County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Barbour County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary

or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 11th day of December, 2002.

12/09/02
135330.00001

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statement

BARBOUR PUBLISHING COMPANY INC.

Barbour Democrat
P.O. Box 459, 113 Church Street
PHILIPPI, WV 26416
(304) 457-2222

DATE	September 21, 2001
ACCOUNT NUMBER	#7080

Central Barbour PSD
Accounts Payable
R.R. 4 BOX 426
Philippi, WV 26416

AMOUNT ENCLOSED \$

RETURN THIS PORTION WITH PAYMENT

DATE	CHARGES AND CREDITS	AMOUNT
09-19-01	Class II (potable water dist.) 406 words @ .1225 per word	\$49.70
	Affidavit Forwarded Upon Receipt of Payment. THANK YOU! FEIN (55 035 2757)	

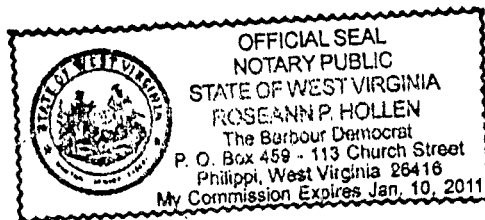
PAY LAST AMOUNT
IN THIS COLUMN

BARBOUR PUBLISHING COMPANY INC.

Thank You

NOTARY PUBLIC

My Commission Expires January 10, 2011



COPY
COPY

OFFICE OF THE BARBOUR DEMOCRAT

I, ROBERT A. BYRNE, Editor of the BARBOUR DEMOCRAT, a weekly newspaper published in the City of Philippi, County of Barbour, and State of West Virginia, do certify that the annexed:

LEGAL NOTICE

was duly printed in said paper two successive weeks commencing on Wednesday, the 19th day of September, 2001.

Given under my hand at Philippi, West Virginia, this 26 day of September, 2001.

Robert A. Byrne, Editor

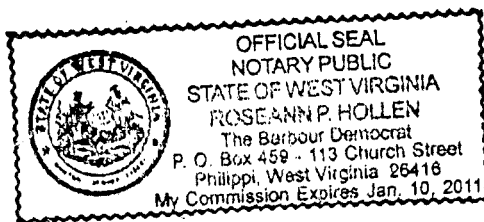
Printer's Fee\$49.70

STATE OF WEST VIRGINIA, COUNTY OF BARBOUR:

Sworn to and subscribed before me this 26th day of September, 2001

Roseann P. Hollen
NOTARY PUBLIC

My Commission Expires January 10, 2011



Notice is hereby given that Central Barbour PSD, a public utility, has given notice to the Public Service Commission of its intent to file an application for a Certificate of Convenience and Necessity for the construction, operation and maintenance of a Potable Water System to serve approximately 1600 customers in 15 miles of Barbour County, West Virginia. The project will consist of Storage Tank, Booster Station and 44.5 miles of pipe. The cost of the project not to exceed \$2,000,000.00. The water system is located in the district of the public utility. The project is being financed by the following means: US DARS Loan of \$2,000,000.00, US DARS Grant of \$200,000.00, Totaling \$2,200,000.00. These rates represent the following increases:

Category	Current Rate	Proposed Rate	% Increase
Residential	\$20.16	\$20.16	0%
Commercial	\$20.16	\$20.16	0%
Industrial	\$20.16	\$20.16	0%
Retail	N/A	N/A	N/A

These rates represent the following increases: Based on consumption of 3,000 gallons per month per customer. The proposed increased rates and charges will produce approximately \$165,696.00 annually in additional revenue and increase of 40% for the water system. The increases shown are based on averages of all customers in the indicated class. Individual customers may receive increases that are greater or less than average. Furthermore, the requested rates and charges are only a proposal, and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing. Central Barbour Tap Fee is \$250.00 and Security Deposits \$50.00. Any increase in rates and charges will not become effective until authorized and approved by the Public Service Commission in the Certificate of Convenience and Necessity Application. Following the filing of the formal Application there will be an additional public notice and opportunity for the submission of public protest. It is anticipated that the formal Application will be filed within 30 days of the publication of the notice. Central Barbour Public Service District, a public utility in Barbour County, West Virginia. Chairman: [Signature]

COPY

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March 19, 2002

The meeting was called to order by the Chairperson Stewart. Those present were Valli, Stewart, Darrel, Ed and Becky.

The minutes from the last meeting were read and approved.

Financial report:

Checking account	4,175.14
O & M account	16,671.10
Depreciation fund	4,692.52
Reserve account	10,048.62
Teter Creek Fund	16,136.30
Unaccounted for water	810,700 gals.

Stewart made a motion to accept the financial report as read. Seconded by Becky and the motion carried.

Bills:

City of Philippi	6,610.33
RUS	1,098.00
US Cellular	58.35
BCI	7.49
D & G Machine	29.45
Allegheny Power	873.52
Barbour Co. Bank	642.00
Valli Davis	466.06
Edward Jones	574.13
US Postmaster	34.00
Best Western	359.80
Cedar Lake Conference	24.00
Roger Ervin	50.21
US Postmaster	129.44
Verizon	81.10
Clarksburg Water Board	24.00
Miss Utility	10.00
Hughes Supply	663.78
Kines Motor	36.85
Fisher Auto	16.27
WVDOH	140.61
Norma Jones	250.00
Barbour County Bank	110.00
Barbour County Bank	100.00
Becky Burner	175.00
Darrel Strait	196.68

COPY

Stewart Jones	184.80
Carelink	618.12
CBPSD	7.58
Tina McCumbers	42.59

Stewart made a motion to pay all bills. Seconded by Darrel and the motion carried.

We held our annual election due to the fact that we had not gotten around to it this year. Becky made a motion for Stewart remain the Chairman of the Board. Darrel seconded and the motion passed. Stewart appointed Darrel as the Treasurer and Becky as the Secretary for the coming year.

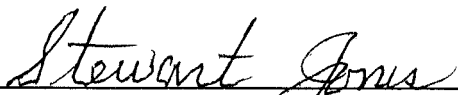
We received a letter from Thomas Saunders, ARC representative stating the we would not be receiving this funding this year.

Buddy Shreve informed Valli that the City has ordered a new meter for the district.

Ed attend the training class in Ripley for Class I water licence and informed up that he had learned a lot at the training.

Stewart made a motion to adjourn. Seconded by Darrel and the motion carried.


Secretary


Chairperson

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CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

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

MINUTES ON ADOPTION OF RULES OF PROCEDURE
AND BOND RESOLUTION

The undersigned Secretary of the Public Service Board of Central Barbour Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Central Barbour Public Service District met in special session, pursuant to notice duly given, on the 11th day of December, 2002, at Philippi, West Virginia, at the hour of 10:00 a.m.

PRESENT: Stewart Jones - Chairman and Member
 Rebekah Burner - Secretary and Member
 Darrel Strait - Treasurer and Member

ABSENT: None

Stewart Jones, Chairman, presided, and Rebekah Burner, acted as Secretary.

The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Chairman presented proposed Rules of Procedure for consideration and there was discussion. Thereupon, upon motion duly made and seconded, it was unanimously ordered that the said Rules of Procedure be adopted and be in full force and effect on and from the date hereof.

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

RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE); THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF CENTRAL BARBOUR PUBLIC SERVICE DISTRICT, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF SUCH BONDS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

and caused the same to be read and there was discussion. Thereupon, on motion duly made and seconded, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

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

CERTIFICATION

I further hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 13th day of December, 2002.


Secretary

12/04/02
135330.00001

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United States
Department of
Agriculture

Rural Development

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

June 30, 1999

Hugh C. Dougherty, Chairman
Central Barbour Public Service District
Route 4, Box 246
Philippi, WV 26416

Dear Mr. Dougherty:

This letter, with Attachments 1 through 12 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan 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 \$2,000,000, an RUS grant in the amount of \$200,000, for a total project cost of \$2,200,000.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing.

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

- Attachment No. 1 - Project Construction Budget (All Copies)
- Attachment No. 2 - Water and Waste Processing Checklist for Central Barbour Public Service District (All Copies)
- Attachment No. 3 - RUS Instruction 1780, Subparts A and B (Applicant Copy)
- Attachment No. 4 - RUS Instruction 1780, Subpart C (Engineer Copy)
- Attachment No. 5 - RUS Instruction 1780, Subpart D (Attorney and Bond Counsel Copies)

- Attachment No. 6 - Agreement (RUS Bulletin 1780-13) (Engineer Copy)
- Attachment No. 7 - Supplemental General Conditions (RUS Bulletin 1780-14) (Engineer Copy)
- Attachment No. 8 - Government Auditing Standards (Revision 1994) (Accountant Copy)
- Attachment No. 9 - RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement "
- Attachment No. 10 - Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 11 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 12 - Various other RD Forms as identified on Attachment No. 2

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

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 4.5% interest rate and a monthly amortization factor of 0.00459, which provides for a monthly payment of \$9,180.00. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account and a depreciation reserve account, which together equal 10% of the annual debt service each year for the life of the loan. Five percent (5%) will be deposited into both accounts until an annual debt payment has been accumulated. Thereafter, the entire 10% will be deposited into the depreciation reserve account.

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

2. Security - The loan must be secured by a statutory lien of first priority, a pledge of the system's revenues and other agreements between you and RUS as set forth in the bond resolution which must be properly adopted and executed by the

appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.

3. Users - This conditional commitment is based upon you providing evidence that you will have at least 801 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of 139 signed user agreements and a certification from you that identifies and attests to the number of users actually connected to and using the PSD's existing water system, which is to be expanded by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Water Users Agreement will be used. Each user signing an agreement must make a user contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement." A guide "Service Declination Statement" is attached for your use. If a potential user refuses to sign either a user agreement or a declination statement, the individual making the contact for the PSD should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service. Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the water service of the existing system (paying monthly bills), (2) signed user agreements, (3) signed service declination statements, (4) records evidencing user contributions having been paid, (5) a map locating each potential user's property in the new service area identifying it by number, (6) a list of all signed bona fide users numbered so as to be a cross-reference with the map, and (7) a list of all declination statements numbered so as to be a cross-reference with the map.

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

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Subpart D of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.
5. Engineering Services - It will be necessary for you to obtain the services of an engineer. For your convenience, Form RD 1942-19, "Agreement for Engineering Services," or EJCDC No. 1910-1, "Standard Form of Agreement between Owner and Engineer for Professional Services" may be used to obtain the services of an engineer. A copy of Form RD 1942-19 is attached hereto. The EJCDC document is issued under copyright and cannot be provided by RUS.
6. Legal Services - The Legal Service Agreement between the PSD and E. Lynn Phillips, Attorney at Law, dated September 29, 1997 has been approved by RUS. We will proceed with project processing based on the fees established by the Agreement.
7. Accounting Services - You must obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).
 - b. Prior to the advertisement of bids, your accountant must certify that the accounts and records as required by your bond resolution have been established and are operational.

The Accountant's Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

RUS regulations (Attachment No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements for your PSD. The attached booklets, "Government Auditing Standards (Revised 1994)" (Attachment No. 8) and RUS Bulletin 1780-30 (Attachment No. 9) outline audit requirements. You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends \$300,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax

Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit is not included in project funds and should be paid from the operational revenues generated from your system operation.

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

9. Permits - Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:

- West Virginia Department of Highways
- Railroads
- State Department of Health
- Public Land Corporation

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

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

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

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

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

d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:

- (1) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
- (2) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.

e. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

12. Contract Documents. Final Plans and Specifications -

a. The contract documents should consist of the following:

- (1) "Agreement" (RUS Bulletin 1780-13) and Attachments 1 through 9, or other agreement approved by RUS. One copy of this item is attached hereto (Attachment No. 6).
- (2) "Supplemental General Conditions" (RUS Bulletin 1780-14). One copy of this item is attached hereto (Attachment No. 7). Additional copies must be reproduced by the engineer.

b. The contract documents must provide, as a minimum, the following insurance:

- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. This coverage must include indemnification of the PSD and its engineer. RUS Bulletin 1780-13, Attachment 9, suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.
- (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.

(3) Workers' Compensation - In accordance with applicable State laws.

- c. The contract documents and final plans and specifications must be submitted to RUS for approval.
- d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review.
14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of any disbursements required of your PSD, over 30 day periods. Any funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to the Rural Utilities Service. The PSD must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.
15. Water Purchase Contract - You propose to purchase treated water from the City of Philippi and the City of Belington. You must assure that the Water Purchase Contract you now have with the City of Philippi is adequate to provide additional service to the proposed extension area. You should also proceed to enter into a Water Purchase Contract with the City of Belington. Form RD 442-30 must be used unless you receive an exception from RUS.
16. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:
 - Form RD 442-7 - "Operating Budget"
 - Form RD 1940-1 - "Request for Obligation of Funds"
 - RUS Bulletin 1780-12 - "Water or Waste System Grant Agreement"
 - RUS Bulletin 1780-27 - "Loan Resolution (Public Bodies)"
 - Form RD 400-1 - "Equal Opportunity Agreement"
 - Form RD 400-4 - "Assurance Agreement"
 - Form AD 1047 - "Certification Regarding Debarment - Primary"
 - Form AD 1049 - "Certification Regarding Drug-Free Workplace"
 - Form RD 1910-11 - "Applicant Certification, Federal Collection Policies"
 - FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
 - Standard Form LLL - "Disclosure of Lobbying Activities" (If Applicable)

17. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA - Rural Development State Office with a request for loan closing instructions to be issued.
18. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed.

When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

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

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds.

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

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

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is

determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

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

Sincerely yours,



BOBBY LEWIS
State Director

Enclosures

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

Rural Development Specialist
Elkins, WV

Accountant

E. Lynn Phillips
Attorney at Law
Philippi, WV

Bond Counsel

Green Engineering, Inc.
Philippi, WV

Project Construction Budget

<u>Project Cost</u>	<u>RUS Grant</u>	<u>RUS Loan</u>	<u>Total</u>
Construction	\$159,900	\$1,454,100	\$1,614,000
Construction Contg.	12,900	117,100	130,000
Land and Rights	400	3,600	4,000
Legal Fees	1,500	13,500	15,000
Engineering Fees	20,200	184,300	204,500
Basic \$113,100			
Inspection \$89,400			
Special \$2,000			
Bond Counsel	1,200	10,800	12,000
Interest		180,000	180,000
Project Contg.	3,900	36,600	40,500
Total	<u>\$200,000</u>	<u>\$2,000,000</u>	<u>\$2,200,000</u>

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

First 3,000 gals. @ \$6.42 per M gals.
Next 3,000 gals. @ \$5.85 per M gals.
Next 4,000 gals. @ \$5.30 per M gals.
Next 10,000 gals. @ \$4.75 per M gals.
Over 20,000 gals. @ \$4.19 per M gals.

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

5/8" x 3/4" meter - \$19.26 per month
3/4" meter - \$28.89 per month
1" meter - \$48.15 per month
1 1/2" meter - \$96.30 per month
2" meter - \$154.08 per month
3" meter - \$288.90 per month
4" meter - \$481.50 per month
6" meter - \$963.00 per month

Minimum Monthly Bill - \$19.26 for 3,000 gallons

Delayed Payment Penalty

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

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

Connection Charge

Prior to Construction - \$100.00

After the start of construction, there shall be a charge of \$250.00 for connection to the system.

Reconnection Charge

\$10.00

Use and Income Analysis

Existing System -

288	users @	3,000	gallons @	\$19.26	per user =	\$5,546.88	monthly
121	users @	4,000	gallons @	\$25.11	per user =	\$3,038.31	monthly
89	users @	5,000	gallons @	\$30.96	per user =	\$2,755.44	monthly
55	users @	6,000	gallons @	\$36.81	per user =	\$2,024.55	monthly
41	users @	7,000	gallons @	\$42.11	per user =	\$1,726.51	monthly
25	users @	8,000	gallons @	\$47.41	per user =	\$1,185.25	monthly
14	users @	9,000	gallons @	\$52.71	per user =	\$737.94	monthly
10	users @	10,000	gallons @	\$58.01	per user =	\$580.10	monthly
3	users @	11,000	gallons @	\$62.76	per user =	\$188.28	monthly
1	users @	12,000	gallons @	\$67.51	per user =	\$67.51	monthly
3	users @	13,000	gallons @	\$72.26	per user =	\$216.78	monthly
4	users @	14,500	gallons @	\$79.39	per user =	\$317.54	monthly
3	users @	18,000	gallons @	\$96.01	per user =	\$288.03	monthly
3	users @	22,500	gallons @	\$115.99	per user =	\$347.96	monthly
1	users @	167,000	gallons @	\$721.44	per user =	\$721.44	monthly
1	users @	238,000	gallons @	\$1,018.93	per user =	\$1,018.93	monthly

662 Users

\$20,761.45 Monthly Revenue x 12 = \$249,137.40 Annual Revenue

Proposed Extension Area (Teter Creek) -

111	users @	3,000	gallons @	\$ 19.26	per user =	\$2,137.86	monthly
14	users @	4,000	gallons @	\$ 25.11	per user =	\$351.54	monthly
7	users @	5,000	gallons @	\$ 30.96	per user =	\$216.72	monthly
7	users @	6,000	gallons @	\$ 36.81	per user =	\$257.67	monthly

139 Users

\$2,963.79 Monthly Revenue x 12 = \$35,565.48 Annual Revenue

Total Number of Users - 801

Total Annual Revenue - \$249,137.40 + \$35,565.48 = \$284,702.88

Budget

Income		\$284,702.88
Expenses		
O & M	\$147,924	
*Debt Service	123,336	
**Debt Service Reserve	6,825	
***Depreciation Reserve	5,508	
		\$283,593.00
Balance and Depreciation		\$ 1,109.88

Operating and Maintenance Expenses

Source of Supply	\$58,065
Power and Pumping	11,843
Water Treatment	15,459
Transmission and Distribution	13,552
Billing and Collecting	9,321
Administrative and Miscellaneous	39,684
TOTAL	\$147,924

*Existing Debt Service -	\$ 13,176
Proposed Debt Service -	110,160 ($\$2,000,000 \text{ loan} \times 0.00459 \times 12 \text{ months}$)
Total Debt Service -	<u>\$123,336</u>

** Existing Debt Service Reserve	\$1,317
Proposed Debt Service Reserve	5,508 ($\$110,160 \times 10\% / 2$)
Total Debt Service Reserve	<u>\$6,825</u>

*** Existing Depreciation Reserve	\$ -0-
Proposed Depreciation Reserve	5,508 ($\$110,160 \times 10\% / 2$)
Total Depreciation Reserve	<u>\$5,508</u>

Attachment No. 2 to Letter of Conditions
 For: Central Barbour PSD
 Date: _____

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

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

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

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

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

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

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

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	4. Evidence of Tap Fees Being Paid	1	LOC	App.			5
	5. Having Users Agreements and Declination Statements Available		LOC	App.			
	6. Certification Relative to Existing Users	1	LOC	App.			5
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	App.			5
	Verification of Users	1	1780.44(b)	RUS			3
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Eng.			Sep. File
	Deeds and/or Options		1780.44(g)	App./Atty.			
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	App./Atty.			5
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	App./Atty.			5
	Narrative Opinion from Attorney	1	1780.44(g)	Atty.			5

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Waiver of Title Defects Letter	1	1780.44 (g)(2)(ii)	RUS			
	Exception for Metering Devices	1	1780.57(m)	App./RUS			
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Atty.			5
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	App.			5
	Copy of PSC Rule 42 Exhibit	1	State	Atty./Acct.			3
Lender Agrmnt/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	App./RUS			1
RD 442-30	Water Purchase Contract	1	1780.62/ 1780.63	App./ Atty./RUS			5
RD 400-1	Equal Opportunity Agreement	1	1901-E	App.			6
RD 400-4	Assurance Agreement	1	1901-E	App.			3
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Sep. File
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5

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

<u>Form No.</u>	<u>Document or Action</u>	<u>No. Needed</u>	<u>Proced. Ref.</u>	<u>Provided by</u>	<u>Target Date</u>	<u>Date Rec'd</u>	<u>File Pos.</u>
	Flood Insurance Policy	1	1780.39(g)	App.			7
440-24	Fidelity Bond	1	1780.39(g)	App.			7
	OGC Final Opinion	1	1780.45(g)	RUS			5



NOV. 25. 2002 3:31PM STEPTOE&JOHNSON CLKG

NO. 9398 P. 1/6

TO: CHAS



UNITED STATES
DEPARTMENT OF
AGRICULTURE

Post-It® Fax Note 7671		Date 11-25-02	# of pages 6
To	Karrrie Mattos		
Co/Dept.	Co.		
Phone #	Phone #		
Fax #	3538180		

Mr. Stewart Jones, Chairman
Central Barbour Public Service District
Rt. 4, Box 246
Philippi, WV 26416

Dear Mr. Jones:

This letter is to confirm that the pre-closing for the Central Barbour PSD RUS loan and grant will be held on December 11, 2002 at 10:00 a.m. in the County Commission Room at the Barbour County Court House. A pre-construction conference will follow at 11:00 a.m. The official loan closing date for the PSD's project will be December 13, 2002. Please have your accountant and your attorney available at 10:00 a.m. for pre-closing decisions.

Reference is made to our letter of conditions dated June 30, 1999. All of the requirements of that letter must be met and the loan must be closed in accordance with RUS Instruction 1780.

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

1. The Certification on the Loan Resolution will be completed at pre-closing.
2. The RUS Grant Agreement will be executed at pre-closing.
3. The PSD's attorney will need to provide Form RD 442-22, Opinion of Counsel Relative to Rights-of-Way, showing no exceptions. This form should be dated December 13, 2002.

USDA Rural Development is an Equal Opportunity Lender, Provider, and Employer.

Complaints of discrimination should be sent to:

USDA, Director, Office of Civil Rights, Washington, DC 20250-9410

4. The PSD's attorney must furnish a Form FmHA 1927-10, Final Title Opinion, on all land(s) being acquired. In addition, the attorney must provide a separate final title opinion(s) covering all existing property owned by the PSD. The opinion(s) should be dated December 13, 2002.
5. In accordance with Item 8(c) of the letter of conditions, the PSD's attorney must furnish a narrative opinion addressing all permits, certifications, and other items necessary to show that all legal requirements can be met and stating how they will be met. The narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled. At minimum, a "right of entry" must be obtained for all properties before the pre-closing.
6. In accordance with the Legal Services Agreement, your project attorney should be on hand during the pre-construction conference to review construction contracts, and contracting procedure, as well as surety and contractual bonds in connection with the project.
7. On or before the pre-closing, the PSD must provide to RUS evidence that all insurance and position fidelity bond coverage has been obtained as required by Item 11 of the letter of conditions. USDA RUS is requesting the PSD carry at least \$300,000 in fidelity bond coverage during the construction phase of the project. The fidelity bond should cover all individuals who will have access to project funds.
8. The PSD's engineer must provide a resume of the proposed project inspector(s).
9. The PSD must provide a letter accepting the proposed project inspector(s).
10. The permit from the West Virginia Department of Highways must be on hand at the closing. The Town should proceed to obtain the necessary bond and forward it to the WVDOH with a request that the permit be issued.
11. All applicable Public Service Commission certificates and/or approvals must be obtained prior to closing. This item should already be complete, but it is mentioned in case there are any changes or additional requirements that may arise.

12. The PSD's accountant must certify that all accounts and records are properly established and are operational in accordance with item 7(b) of the letter of conditions.
13. The PSD must provide RUS with a current copy of their Workers' Compensation Certificate.
14. Please be prepared to have a properly called meeting of the PSD's Board of Directors during the pre-closing process in case it becomes necessary for the Board to make decisions in connection with your project. Also please bring any official seal that the PSD uses for authenticating documents.
15. Nancy Taylor, our Rural Development Technician, is planning to complete a Civil Rights Compliance Review with the PSD at the pre-closing. This is normally in the format of an informal interview to help her gather the information for the review.

Thank you for doing business with USDA Rural Development. If you have any questions regarding these or any other matters pertaining to your loan, please contact our office at your earliest convenience.

Sincerely,

Joseph D. Crickenberger
Rural Development Specialist

CC: State Director
USDA- Rural Development

Steptoe and Johnson ✓
Bond Counsel

E. Lynn Phillips
Attorney at Law

Green Engineering, Inc.
Consulting Engineers

Harris & Company.
Certified Public Accountants

PROJECT CONSTRUCTION BUDGET			
<i>Central Barbour PSD - Water Project</i>			
December 13, 2002			
PROJECT COST	RUS Grant	RUS Loan	TOTAL
CONSTRUCTION	\$ 159,900	\$ 1,217,590	\$ 1,377,490.00
CONST. CONTINGENCY	\$ 12,800	\$ 86,700	\$ 99,500
LAND & RIGHTS	\$ 400	\$ 3,600	\$ 4,000
LEGAL FEES	\$ 1,500	\$ 13,500	\$ 15,000
BOND COUNSEL	\$ 1,200	\$ 10,800	\$ 12,000
ACCOUNTING	\$ -	\$ 2,500	\$ 2,500
ENGINEERING FEES	\$ 20,200	\$ 184,300	\$ 204,500
Basic - \$113,100			
Insp. - \$89,400			
Special - \$2,000			
INTEREST		\$ 180,000	\$ 180,000
ADMINISTRATION			
EXTRA LINES/EQUIPMENT	\$ -	\$ 264,010	\$ 264,010
PROJECT CONTG.	\$ 4,000	\$ 37,000	\$ 41,000
TOTAL	\$ 200,000	\$ 2,000,000	\$ 2,200,000
Actual Funding	\$ 200,000.00	\$ 2,000,000.00	\$ 2,200,000.00

21

WATER OR WASTE SYSTEM GRANT AGREEMENT

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL UTILITIES SERVICE

THIS AGREEMENT dated _____ between

Central Barbour Public Service District

a public corporation organized and operating under _____

Chapter 16, Article 13A of the West Virginia Code

(Authorizing Statute)

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

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of **\$ 2,200,000.00** and has duly authorized the undertaking of such project.

Grantee is able to finance not more than **\$ 2,000,000.00** of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of **\$ 2,000,000.00** has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed **\$ 200,000.00** or **75%** 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 **9.1%** 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 xxxxxxxxxxxxxxxxxxxxxxxxx as may be modified from time to time by~~
* ~~Grantor~~. 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.
* as approved by the Public Service Commission of West Virginia.

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 lines, tanks, booster stations and other appurtenances owned by Central Barbour PSD for the purpose of operating a public 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 \$5,000 or more. The Grantee may use the property 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).

All equipment, fixtures and other chattel owned by Central Barbour PSD for the purpose of operating a public water system.

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 \$ 200,000.00 which it will advance to Grantee to meet not to exceed 9.1% 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

President

and attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By Rubekah Burner

(Title) Secretary

By Stewart Jones

(Title) President

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Joseph D. Cichocki Rural Development Specialist
(Title)

22

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 9th day of December, 1977, between the City of Philippi, Philippi, West Virginia 26416 (Address) hereinafter referred to as the "Seller" and the Central Barbour Public Service District, Route 2, Philippi, West Virginia 26416 (Address) hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Chapter 16, Article 13A of the Code of West Virginia, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plans of the system now on file in the office of the Purchaser, and

Whereas, by motion ~~No~~ enacted on the 9th day of December, 19 77, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said motion was approved, and the execution of this contract carrying out the said motion by the Mayor and attested by the ~~Secretary~~ City Clerk was duly authorized, and

Whereas, by motion of the Board of Directors of the Purchaser, enacted on the 9th day of December, 19 77, the purchase of water from the Seller in accordance with the terms set forth in the said motion was approved, and the execution of this contract by the chairman, and attested by the Secretary was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the _____

in such quantity as may be required by the Purchaser not to exceed 2,600,000 gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure at _____ from an existing _____ inch main supply at a point located

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be in

shall be corrected for the Six months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless

and Purchaser shall agree upon a different amount. The metering equipment shall be read on _____ An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the 5th day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. (Rates and Payment Date) To pay the Seller, not later than the 20th day of each month, for water delivered in accordance with the following schedule of rates:

- a. \$ 1.30 per thousand for the first 2,000 gallons, which amount shall also be the minimum rate per month.
- b. \$ 1.00 ~~per~~ per 1000 gallons for water in excess of 2,000 gallons up to 5,000 gallons.
- c. \$.60 cents per 1000 gallons for water in excess of 5,000 gallons up to 25,000 gallons
- d. \$.42 cents per 1,000 gallons for water in excess of 25,000.

The minimum charge will be in accordance with the seller's rates for the size meter installed.

OMIT **The City has applied for a rate increase and upon approval by the Public Service Commission, These rates will be increased.

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \$0.00 dollars which shall cover any and all costs of the Seller for installation of the metering equipment and meter

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of forty years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That Ten days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a

flat charge of \$ 500.00 which will be paid by the contractor or, on his failure to pay, by the Purchaser.

4. (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every One year period. ~~Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the cost of performance hereunder, but such costs shall not include increased capitalization of the Seller's system.~~ ^{**} Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration.

8. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

^a
^{**} At any time by an order of the Public Service Commission of West Virginia, and in the event said agency shall not regulate the rates to be charged by the Seller, then said rates shall be subject to modification at the end of every one year period, ^{and} any increase or decrease in rates shall be based on a demonstrable increase or decrease in the operating costs of the Seller's system, and said rates shall not be increased unless the rates for all of the Seller's users are likewise increased.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in Three counterparts, each of which shall constitute an original.

Attest:

Joseph D. Marshall
Secretary

Attest:

Mary L. Kinn
Secretary

This contract is approved on behalf of the Farmers Home Administration this 2ND day of JUNE,
19 78.

Seller:

CITY OF PHILIPPI

By

[Signature]
Title MAYOR

Purchaser:

CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

By

Hugh C. Daugherty
Hugh C. Daugherty
Title Chairman

By

Title

David E. Satterfield
ENGINEER

1991 MODIFICATION OF WATER PURCHASE CONTRACT

Whereas, on December 9, 1977, the City of Philippi (hereinafter the "Seller") and the Central Barbour Public Service District (hereinafter the "Purchaser" or the "District") entered into a Water Purchase Contract, and

Whereas Paragraph 5 of Section C of the December 9, 1977, Water Purchase Contract provides, in pertinent part, that rates to be paid by the Purchaser for water delivered are subject to modification at the end of every one year period and any increase or decrease in rates shall be based on a demonstrable increase or decrease in the operating costs of the Seller's system, and

Whereas the Seller has demonstrated that its operating costs have increased, and

Whereas Paragraph 1 of Section A of the December 9, 1977, Water Purchase Contract provides, in pertinent part, that the Seller agrees to furnish the Purchaser potable treated water in such quantity as may be required by the Purchaser not to exceed 2,600,000 gallons per month, and

Whereas the quantity of water per month required by the Purchaser has increased.

Now therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth, the Purchaser and Seller agree that the rates to be paid by the Purchaser for water delivered shall be increased and the quantity of water per month required by the Purchaser shall be increased.

COPY

In this regard, the Purchaser and Seller agree that Paragraph 1 of Section A and Paragraph 1 of Section B of the December 9, 1977, Water Purchase Contract shall be modified and amended as set forth below in bold type:

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery specified in the December 9, 1977, Water Purchase Contract, during the term of the December 9, 1977, Water Purchase Contract or any renewal or extension thereof, potable treated water meeting applicable purity standards in such quantity as may be required by the Purchaser not to exceed 5,000,000 gallons per month.

B. The Purchaser Agrees:

1. (Rates and Payment Date) To pay the Seller, not later than the 20th day of each month, for water delivered in accordance with the following charges:

- a. \$50.00 per month plus
- b. \$1.15 per 1,000 gallons of water used per month.

The minimum charge will be in accordance with the Seller's retail Water Service Schedule in effect at the time of the sale.

The parties hereby acknowledge and agree that the modifications contained in this "1991 Modification of Water Purchase Contract" amend and supersede the language of Paragraph 1 of Section A and Paragraph 1 of Section B of the December 9, 1977, Water Purchase Contract and that the original Paragraph 1 of Section A and the original Paragraph 1 of Section B of the December 9, 1977, Water Purchase Contract are null and void.

The parties further acknowledge and agree that all portions of the December 9, 1977, Water Purchase Contract other than those amended by this "1991 Modification to Water Purchase Contract" remain in full force and effect.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this 1991 Modification of Water Purchase Contract to be duly executed in three (3) counterparts, each of which shall constitute an original.

SELLER

TOWN OF PHILIPPI

By Donald B. Baughman
Title MAYOR

ATTEST:

Joseph P. Mattaliano
Joseph P. Mattaliano

PURCHASER:

CENTRAL BARBOUR PUBLIC
SERVICE DISTRICT

By Arthur C. Baughman
Title Chairman

ATTEST:

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BULK WATER CONTRACT

THIS AGREEMENT, Made and entered into this ____ day of _____, 2002, by and between the CITY OF BELINGTON, a West Virginia Municipal Corporation, party of the first part, hereinafter called "City of Belington", and the Central Barbour Public Service District, a body politic created by Order of the County Commission of Barbour County, West Virginia, party of the second part, hereinafter called "Central Barbour".

In making this Agreement, both the City of Belington and Central Barbour understand and agree to the following facts:

1. The City of Belington owns, maintains and operates a public water filtration, treatment, storage and distribution system from which the City furnishes water for it's own municipal purposes and sells water to customers in and about the City of Belington.

2. Central Barbour owns and operates a public water system and proposes to build the Teter Creek Extension. In connection with this extension, Central Barbour desires the City of Belington to supply it with water, and in order for the City of Belington to supply water, Central Barbour contemplates constructing a six (6) inch line along State Route 92, near Kevin and Cheryl Kelley, and Central Barbour contemplates the construction and installation of a master meter and valve box. Said point is hereinafter referred to as "Master Meter Location".

3. The City of Belington has a satisfactory source of raw water and at the present time is able to filter and treat a greater quantity of water than is used and demanded by it's present customers, and is willing to sell to Central Barbour, and Central Barbour desires to purchase filtered and treated potable water for distribution by Central Barbour to it's own customers within the Teter Creek Extension.

In consideration of the aforesaid circumstances and in further consideration of the mutual covenants and agreements hereinafter made and contained, it is mutually covenanted and agreed between the parties hereto as follows:

COPY

1. That this contract shall extend for a term of twenty (20) years from the date of the initial delivery of any water as shown be the first bill submitted by the City of Belington to Central Barbour and, thereafter may be renewed or extended for such term or terms as hereinafter set out in paragraph ten (10) of this Agreement.

2. The City of Belington agrees to sell, furnish and deliver to Central Barbour and Central Barbour agrees to purchase and take from the City of Belington, filtered and treated, potable water which will meet the requirements of the West Virginia Department of Health governing public water supply in an amount sufficient to supply the needs and demands of Central Barbour in meeting the legal and ordinary requirements of it's proposed water extension, so far as the City of Belington is able to furnish such water. The City of Belington shall furnish up to approximately one (1) million gallons per month to Central Barbour. In the event of an extended shortage of water, or the supply of water available to the City of Belington is otherwise diminished over an extended period of time, the supply of water to Central Barbour's consumers shall be reduced or diminished in the same ratio or proportion as the supply to the City of Belington's consumers is reduced or diminished.

3. Delivery of water by the City of Belington to Central Barbour shall be furnished at a reasonably constant pressure based upon existing conditions in the City of Belington distribution system. Static and dynamic pressures in the City of Belington system shall be verified as necessary by Central Barbour, the cost of providing such greater or lesser pressure shall be borne by Central Barbour. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the City of Belington from this provision for such reasonable period of time as may be necessary to restore service. Delivery will be at the connection between the City of Belington's line and Central Barbour's line at said "proposed master meter location" and upon delivery at this point title to said water shall vest in Central Barbour and it shall be the sole duty and responsibility of Central Barbour thereafter to handle, care for, transport and distribute said water, without any obligation of any nature whatsoever upon the City of Belington.

4. Central Barbour will furnish and install a master water meter and install the appropriate six (6) inch lines to said "master meter", with applications and fittings, for measuring the quantity of water to be sold and to be furnished and delivered to Central Barbour hereunder; with necessary shut-off or control valves or gate valve, by pass valve, etc., all to be considered "construction costs". Such "construction costs" shall include all necessary inspection, engineering, land acquisition, legal and administrative expenses. Said master meter and gate or control valve shall be of standard type and shall be located as stipulated in paragraph 2. The City of Belington shall maintain and operate said meter and valve and shall have full control thereof, but Central Barbour shall have access to the meter at such times as Central Barbour requests, with the right to take meter readings, but not to regulate or repair said meter, with and in presence of an authorized representative of The Water Department of the City of Belington. Central Barbour will be responsible for the construction, purchase and installation costs (hereinbefore referred to as "construction costs") of the master water meter.

5. If the six (6) inch line should become inadequate to serve Central Barbour's requirements and the installation of a larger line becomes necessary, Central Barbour will install, at Central Barbour's sole expense, such larger line from the master meter to a point in the City of Belington's system which has sufficient capacity to adequately serve Central Barbour's requirements in accordance with terms of this Agreement.

6. Either the City of Belington or Central Barbour shall have the right at any time, upon reasonable notice to the other party so as not to interfere unreasonably with the service, without loss or inconvenience to the other party, to have said master water meter examined and tested by some person or concern qualified to examine and test the same. The cost of testing, examining and repairing said master meter shall be borne by the party challenging the accuracy of the same if the said meter or test proves to be correct, or within 2% of correct; but if the said meter on test proves to be more than 2% fast or slow then the cost of testing, examining and repairing said meter shall be borne by Central Barbour. Adjustment of bills for meter error revealed by such tests shall be in accordance with the applicable Public Service Commission of West Virginia, Rules and Regulations for the Government of

Water Utilities. During such time as the master meter may be out of repair, or while being tested, water furnished to Central Barbour shall be estimated on the basis of the quantity of water registered for like periods of time when said meter was installed and registering accurately. Should said meter be worn out or become obsolete then Central Barbour, at its expense, shall furnish and install a new master meter of a standard and approved type.

7. At such time as it shall become necessary for the City of Belington to make repairs to its water system or filtration plant, such repairs shall be made at such times and during such periods as to least disturb and curtail the supply of water furnished to Central Barbour insofar as it is reasonably possible to do so. If such repairs require that delivery of water to Central Barbour be curtailed or interrupted, then the City of Belington shall notify Central Barbour, if possible, at least twelve (12) hours before commencing such repairs, if the emergency will admit of such notice, in order that Central Barbour may notify its customers of such contingency. Similarly, should Central Barbour have an unexpected or unusually large demand for water, by reason of sudden breaks in its system, disastrous fires or similar circumstances, then Central Barbour, upon receipt of notice of such demand, shall immediately give the City of Belington notice of such increased demand.

8. The City of Belington shall read the master water meter as often as necessary, compute deliveries and render to Central Barbour each month a statement, including the current and previous meter readings. Central Barbour will be notified by the City of Belington each month as to when the master meter is to be read and Central Barbour's representative shall be permitted to be present when the City of Belington reads said master meter. Such statements shall show the quantity of water taken by Central Barbour for the month, together with the computation of the amount due and payable to the City of Belington at the rate or price hereinafter stated. All payments by Central Barbour to the City of Belington for water furnished shall be made within twenty (20) days after such statement has been rendered and delivered to Central Barbour.

9. a. Filtered and treated potable water furnished and sold hereunder and delivered through said proposed master meter location shall be paid for by Central Barbour to the City of

Belington monthly at the rate of One Dollar Eighty Cents, (\$1.80)per thousand gallons. Bills shall be rendered on the first (1st) day of the month for water sold and delivered for the preceding month. If payment is not made within twenty (20) days of date of bill, a ten percent (10%) penalty will be charged to the delinquent billed amount.

b. Said initial rate for the sale of water is based upon the Class Cost of Service Study of the City of Belington performed by the Public Service Commission Staff. It is understood that one (1) year subsequent to the initial delivery of water to Central Barbour for the purpose of resale, the City of Belington may modify it's schedule of rates based on actual performance costs. The rate so established and future rates charged by the City of Belington for the sale of water to Central Barbour will be imposed by the City of Belington by inclusion in it's tariff of rates for sale of water.

10. This agreement shall be and continue in full force and effect and binding upon the parties hereto for a period of twenty (20) years from the date of the initial delivery of any water as shown by the first bill submitted by the City of Belington to Central Barbour and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the City of Belington and Central Barbour.

11. Central Barbour hereby agrees and binds itself to indemnify, secure and save harmless the City of Belington as to, from and against any and all suits, actions, loss, judgments, damages, costs, charges and expenses of every kind by reason of injury to persons or property owing to or resulting from damage done or claimed by any person by reason of the escape of water after it's delivery by the City of Belington to Central Barbour at the point of connection with the City of Belington's line, as aforesaid, or for any other matter or thing after the delivery of said water at said master meter in respect to this agreement.

12. The payment by the Central Barbour to the City of Belington for water furnished under this contract is in no sense a charge for protection against fire, and it is expressly understood that while Central Barbour intends to use part of the water furnished hereunder for fire protection purposes, the City of Belington is not obligated in any way to have on hand a supply of water, other than what is contracted for herein and pursuant to the terms hereof, at any fire plug or consumer's hydrant in Central Barbour of

any customer thereof at any outlet at the time of fire, and that the City of Belington shall not be liable for such supply not being on at any time. It is further agreed that the City of Belington shall not be responsible in any way for any lack of pressure flow or quantity of water and that the officers or users of Central Barbour shall not look to or complain to the City of Belington on account of any such matters.

13. Central Barbour's water customers, served in the Teter Creek Extension are in no way to be considered or deemed as customers of the City of Belington.

14. This contract shall not be assigned in whole or in part by the Central Barbour without the consent in writing thereto by the City of Belington through proper resolution or action of it's Common Council. In the event of any occurrence rendering the City of Belington incapable of performing under the Bulk Water Contract, any successor of the City of Belington, whether as the result of legal process, assignment, or otherwise, shall succeed to the rights of and be subject to the duties and obligations of the City of Belington hereunder.

15. Except as noted in the design/construction plans for the Teter Creek Extension, no booster pump or other device for increasing the flow of water into Central Barbour's supply line over the rate of flow normal and usual, shall be attached to Central Barbour's line or any of it's outlets by Central Barbour or any of it's customers, except for the use of emergency vehicles and home high pressure washing machines, or otherwise except by the consent of the City of Belington being first obtained in writing.

16. Any notice of cancellation or application for renewal of this agreement, by Central Barbour, pursuant to paragraph 10 above, shall be addressed to the Common Council of the City of Belington as such, and not to any individual member or group of members thereof.

17. When requested by Central Barbour, the City of Belington will make available to the contractor at the point of delivery water sufficient for testing and flushing the system of the Purchaser during construction, at a charge equal to the rate per 1000 gallons charged by the City of Belington to Central Barbour for purchase of bulk water at the time that such water is requested.

18. That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the City of Belington and Central Barbour will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

19. This agreement, with all of it's terms, conditions and provisions shall extend to and be binding upon the parties hereto, their respective successors and assigns, boards or councils.

IN WITNESS WHEREOF, the parties have caused their respective corporate names to be signed hereto and their common seals to be hereunto affixed, by their Mayor and Chairman respectively, and their common seals to be hereunto attested by the Clerk of the City of Belington and the Secretary of Central Barbour, all as of the day and year first above written.

ATTEST:

CITY OF BELINGTON,
A Municipal Corporation

City Clerk

By _____
It's Mayor

Approved as form to:

Town Attorney

ATTEST:

CENTRAL BARBOUR
PUBLIC SERVICE DISTRICT

Secretary

By _____
It's Chairman

This instrument prepared by E. Lynn Phillips, Attorney At Law, Philippi, West Virginia.

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CENTRAL BARBOUR PUBLIC SERVICE DISTRICT

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

RECEIPT OF DEPOSITORY BANK

I, Ronald Solomon, the undersigned duly authorized representative of the Barbour County Bank, Philippi, West Virginia (the "Bank"), hereby certify that on December 13, 2002, the Bank received an automated clearinghouse transfer in the amount of \$118,000, to the credit of the Central Barbour Public Service District, Series 2002 A Bonds Project Construction Account, Account Number 0338183.

WITNESS my signature on this 13th day of December, 2002.

BARBOUR COUNTY BANK



Authorized Officer

12/04/02
135330.00001

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

NEW ISSUE REPORT FORM

Date of Report: December 13, 2002

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

ADDRESS: Rt. 4, Box 246, Philippi, West Virginia 26416 COUNTY: Barbour

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

ISSUE DATE: December 13, 2002 CLOSING DATE: December 13, 2002

ISSUE AMOUNT: \$2,000,000 RATE: N/A

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

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

BOND COUNSEL: Stephoe & Johnson PLLC
Contact Person: Vincent A. Collins, Esquire
Phone: (304) 624-8161

UNDERWRITERS COUNSEL: _____
Contact Person: _____
Phone: _____

CLOSING BANK: _____
Contact Person: _____
Phone: _____

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Valli Davis
Position: Office Manager
Phone: (304) 457-4026

OTHER: United States Department of Agriculture
Contact Person: Mr. Joe Crickenberger
Function: Rural Development Specialist
Phone: (304) 636-2168

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 only hold the Series 2002 A Bonds Reserve Account.

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.