

**ARMSTRONG PUBLIC SERVICE DISTRICT**

**Sewer Refunding Revenue Bonds, Series 2002 A  
(Crews & Associates, Inc.)**

**Closing Date: December 23, 2002**

**BOND TRANSCRIPT**

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**\$785,000**  
**ARMSTRONG PUBLIC SERVICE DISTRICT**  
**Sewer Refunding Revenue Bonds, Series 2002 A**

**Date of Closing: December 23, 2002**

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**ARMSTRONG PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)**

**SEWER REFUNDING REVENUE BONDS, SERIES 2002 A**

**BOND RESOLUTION**

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ARMSTRONG PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BOND, SERIES 1985, OF ARMSTRONG PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$900,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, Armstrong Public Service District (the "Issuer") presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of a series of bonds, being the Sewer Revenue Bond, Series 1985, dated March 26, 1985, issued in the original aggregate principal amount of \$778,000 (the "Series 1985 Bonds").

WHEREAS, the Series 1985 Bonds were issued pursuant to a resolution of the Issuer duly adopted on January 11, 1984, as supplemented (collectively, the "Prior Resolutions");

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any part of the outstanding Series 1985 Bonds;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Series 1985 Bonds;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Series 1985 Bonds in

the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, Series 2002 A" (the "Series 2002 A Bonds"), in the maximum aggregate principal amount of not more than \$900,000, and other monies of the Issuer; and

WHEREAS, the Issuer now desires to authorize the refunding of the Series 1985 Bonds as aforesaid, and to provide for the financing thereof by the issuance of the Series 2002 A Bonds as hereinafter provided;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF ARMSTRONG PUBLIC SERVICE DISTRICT:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01.      Definitions. All capitalized terms used in this Resolution and not otherwise defined in the recitals or in the text hereof shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 2002 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer and Redemption Digest.

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

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

"Bond Counsel" shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

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

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Bonds.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means the Series 2002 A Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2002 A Bonds, in substantially the form set forth in EXHIBIT A - BOND FORM hereto.

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

"Closing Date" means the date upon which there is an exchange of the Series 2002 A Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Consulting Engineers" means any qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, the costs of refunding the Series 1985 Bonds (which amount shall reflect the Independent Certified Public Accountant's determination of the Redemption Price of the Series 1985 Bonds), interest accruing or to accrue thereon, redemption premiums, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, expenses for fiscal or other agents, legal expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 2002 A Bonds and the refunding of the Series 1985 Bonds.

"Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means the Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2002 A Bonds, meeting the qualifications prescribed by DTC.

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

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

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

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

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

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

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

"Issuer" means Armstrong Public Service District, a public service district and public corporation and political subdivision of the State of West Virginia, in Fayette County of said State, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by a Bond Insurer simultaneously with the delivery of the Series 2002 A Bonds, insuring the payment of the principal of and interest on all or any of the Series 2002 A Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2002 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2002 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2002 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 2002 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2002 A Bonds.

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

"Original Purchaser" means Crews & Associates, Little Rock, Arkansas, as the purchasers of the Series 2002 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2002 A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 2002 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2002 A Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Issuer at the time of approval of such sale of said Series 2002 A Bonds.

"Outstanding," when used with reference to the Series 2002 A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment

(whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as a Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or other entity designated as such for the Series 2002 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 hereof.

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

"Prior Resolutions" means the resolution of the Issuer duly adopted January 11, 1984, authorizing the Series 1985 Bonds.

"Purchase Price," for the purpose of computation of the Yield of the Series 2002 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2002 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Series 2002 A Bonds of each maturity is sold or, if the Series 2002 A Bonds are privately placed, the price paid by the first buyer of the Series 2002 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2002 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2002 A Bonds.

"Qualified Investments" means and includes any of the following, unless otherwise set forth in the Supplemental Resolution:

- (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, 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 exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Record Date" means the day of the month which shall be so stated in the Series 2002 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of any Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which any Bonds of the Issuer may be called for redemption and includes the principal of and interest on such Bonds to be redeemed, plus the interest and premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2002 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Prior Resolutions and continued hereby.

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

"Revenue Fund" means the Revenue Fund created by the Prior Resolutions and continued hereby.

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

"Series 1985 Bonds" means the Issuer's Sewer Revenue Bond, Series 1985, dated March 26, 1985, issued in the original aggregate principal amount of \$778,000.

"Series 2002 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2002 A, of the Issuer, originally authorized to be issued pursuant to this Resolution.

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

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

"Series 2002 A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 2002 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2002 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2002 A Bonds.

"Series 2002 A Bonds Sinking Fund" means the Series 2002 A Bonds Sinking Fund created by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution to be adopted by the Issuer following adoption of this Resolution, setting forth the final amounts, maturities, interest rates and other terms of the Series 2002 A Bonds and authorizing the sale of the Series 2002 A Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and any reserve accounts.

"System" means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

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

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

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

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

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

Section 1.03. Findings. The Governing Body hereby finds and determines as follows:

A. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia, in Fayette County of said State.

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed in part by the proceeds of the Series 1985 Bonds.

C. The Issuer derives revenues from the System which are pledged for payment of the Series 1985 Bonds. Except for such pledge thereof, said revenues are not pledged or encumbered in any manner.

D. The Issuer intends to refund the Series 1985 Bonds in their entirety with proceeds of the Series 2002 A Bonds and other funds of the Issuer, to issue the Series 2002 A Bonds and to pledge the Net Revenues of the System for payment thereof. Upon issuance and delivery of the Series 2002 A Bonds and the defeasance of the Series 1985 Bonds, the Series 2002 A Bonds shall have a first lien on the System and the Revenues therefrom.

E. [RESERVED].

F. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Series 1985 Bonds will be sufficient to pay all Operating Expenses of the System and to make all other payments provided for in this Resolution.

G. Based upon the assumed principal amount, maturity schedule and interest rates for the Series 2002 A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the Series 2002 A Bonds show a net present value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the Series 2002 A Bonds.

H. The Issuer shall not sell the Series 2002 A Bonds without setting forth in the Supplemental Resolution the determination set forth in paragraph G above, based upon the actual principal amount, maturity schedule and interest rates for the Series 2002 A Bonds, and the Issuer shall not issue the Series 2002 A Bonds without having obtained from an Independent Certified Public Accountant a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 2002 A Bonds and the net interest cost in dollars of the Series 1985 Bonds.

I. Subject to the determination and certification required by paragraph H above, it is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2002 A Bonds and secure the Series 2002 A Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the monies in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account, unexpended proceeds of the Series 2002 A Bonds and as further set forth herein.

J. The Series 2002 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2002 A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2002 A Bonds, will be timely done and duly performed.

L. The adoption of this Resolution, and the execution and issuance of the Series 2002 A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2002 A Bonds by those who shall own or hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Bondholders of any and all of such Series 2002 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

## ARTICLE II

### AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All Series 1985 Bonds Outstanding as of the date of issuance of the Series 2002 A Bonds are hereby ordered to be refunded, and the pledge of Net Revenues in favor of the Holders of the Series 1985 Bonds imposed by the Prior Resolutions, the monies in the funds and accounts created by the Prior Resolutions pledged to payment of the Series 1985 Bonds, and any other funds pledged by the Prior Resolutions to payment of the Series 1985 Bonds are hereby ordered terminated, discharged and released upon the payment to the Holder of the Series 1985 Bonds from the proceeds of the Series 2002 A Bonds and from other monies available therefor, of the following: (a) an amount equal to the fiscal and paying agent charges to become due and payable in connection with the Series 1985 Bonds; and (b) an amount which will provide for the immediate payment of the principal of and interest on the Series 1985 Bonds, plus the premium, if any, as of the date of Closing. Contemporaneously with the payment to the Holder of the Series 1985 Bonds of the above-referenced amounts, the amount on deposit in the reserve account created and maintained on behalf of the Series 1985 Bonds shall be released from the lien created by the Prior Resolutions and paid to the Holder of the Series 1985 Bonds to reduce the outstanding principal of the Series 1985 Bonds to be paid from the proceeds of the Series 2002 A Bonds.

## ARTICLE III

### THE BONDS

Section 3.01.      Form and Payment of Bonds. No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the Series 2002 A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity. All Series 2002 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Series 2002 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

The principal of and the premium, if any, on the Series 2002 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2002 A Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of \$500,000 or more of the Series 2002 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2002 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Bond then Outstanding.

Section 3.02.      Execution of Bonds. The Series 2002 A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of 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 Series 2002 A Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2002 A Bonds

had not ceased to hold such office. Any 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 Series 2002 A Bonds shall hold the proper office in the Issuer, although at the date of such Series 2002 A Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2002 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Series 2002 A Bond, substantially in the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2002 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2002 A Bond shall be conclusive evidence that such Series 2002 A Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Series 2002 A Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2002 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Series 2002 A Bonds, shall be conclusively deemed to have agreed that such Series 2002 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Series 2002 A Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2002 A Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2002 A Bonds. Series 2002 A Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2002 A Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2002 A Bonds may at the

option of the Holder thereof be exchanged for an equal aggregate principal amount of Series 2002 A Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2002 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Series 2002 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2002 A Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2002 A Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2002 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2002 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2002 A Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Series 2002 A Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Series 2002 A Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06.      Term Bonds. In the event Term Bonds are issued pursuant to this Resolution, the following provisions shall apply:

A.      The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2002 A Bonds Redemption Account in accordance with Subsection 4.03A(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to 1/12th of the amount required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Series 2002 A Bonds shall be set forth in the Supplemental Resolution relating thereto.

B.      At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

C.      The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

D.      After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2002 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2002 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2002 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of \$5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2002 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, the Original Purchaser and the registered owner of the Series 2002 A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2002 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 2002 A Bonds shall also be sent to registered securities depositories.

All official notices of redemption shall be dated and shall state:

- (1) The Redemption Date;
- (2) The Redemption Price;
- (3) If less than all outstanding Series 2002 A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2002 A Bonds to be redeemed;
- (4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Series 2002 A Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;
- (5) The place where such Series 2002 A Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar; and

(6) Such other information, if any, as shall be required for DTC-eligible Bonds.

If funds sufficient to redeem all Series 2002 A Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2002 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2002 A Bonds or portions of the Series 2002 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2002 A Bonds or portions of Series 2002 A Bonds shall cease to bear interest. Upon surrender of such Series 2002 A Bonds for redemption in accordance with said notice, such Series 2002 A Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Series 2002 A Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Series 2002 A Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2002 A Bonds, and failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Series 2002 A Bonds for which there was no such failure.

Section 3.08.      Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Series 2002 A Bond is registered as the owner of such Series 2002 A Bond for the purpose of receiving payment of the principal of, and interest on, such Series 2002 A Bond and for all other purposes, whether or not such Series 2002 A Bond is overdue.

Section 3.09.      Temporary Bonds. Until Series 2002 A Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Series 2002 A Bonds in temporary form, substantially in the form of the definitive Series 2002 A Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Series 2002 A Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this

Resolution. Upon the presentation and surrender of any Series 2002 A Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Series 2002 A Bond in temporary form.

Section 3.10. Authorization of Series 2002 A Bonds. For the purposes of paying a portion of the costs of refunding all of the Series 1985 Bonds of the Issuer, funding the Series 2002 A Bonds Reserve Account, paying costs in connection therewith and paying certain costs of acquisition and construction of certain improvements and additions to the System, there shall be issued the Series 2002 A Bonds of the Issuer, in an aggregate principal amount of not more than \$900,000. The Series 2002 A Bonds shall be designated "Sewer Refunding Revenue Bonds, Series 2002 A" and shall be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity, not exceeding the aggregate principal amount of Series 2002 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2002 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2002 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Bonds. A. The Series 2002 A Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2002 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2002 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2002 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2002 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2002 A Bond or any other evidence of ownership of the Series 2002 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2002 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2002 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall,

in its written acceptance of its duties under this Resolution, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2002 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2002 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Resolution. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2002 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2002 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2002 A Bonds so redeemed, but DTC may return such Series 2002 A Bonds and make an appropriate notation on the Series 2002 A Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2002 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2002 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2002 A Bonds, selecting the Series 2002 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of Series 2002 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2002 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2002 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2002 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Resolution, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2002 A Bonds or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2002 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2002 A Bonds; or (ii) the Issuer determines that

continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2002 A Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 2002 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2002 A Bonds.

Section 3.12.      Delivery of Bonds. The Issuer shall execute and deliver the Series 2002 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2002 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

- (A) A list of the names in which the Series 2002 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;
- (B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2002 A Bonds to the Original Purchaser;
- (C) Copies of this Resolution and the Supplemental Resolution certified by the Secretary;
- (D) The unqualified approving opinion upon the Series 2002 A Bonds by Bond Counsel; and
- (E) A copy of such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13.      Form of Bonds. The definitive Series 2002 A Bonds shall be in substantially the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2002 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2002 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the Series 2002 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 2002 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2002 A Bonds Sinking Fund and applied to payment of interest on the Series 2002 A Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 2002 A Bonds which, together with other monies or securities available for such purpose, specifically including, but not limited to, monies on deposit in the Series 1985 Bonds Reserve Account, shall be sufficient to accomplish the refunding and defeasance of the Series 1985 Bonds (which amount shall be set forth in the Supplemental Resolution) shall be paid to the Holder of the Series 1985 Bonds.

C. An amount of the proceeds of the Series 2002 A Bonds equal to the Series 2002 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2002 A Bonds Reserve Account; provided that, to the extent the Series 2002 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Series 1985 Bonds pursuant to the Prior Resolutions, proceeds of the Series 2002 A Bonds shall be deposited in the Series 2002 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2002 A Bonds Reserve Requirement.

D. The balance of any proceeds of the Series 2002 A Bonds and any monies in any fund or account established for the Series 1985 Bonds pursuant to the Prior Resolutions, not used for any of the purposes set forth above, shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2002 A Bonds and miscellaneous costs of refunding the Series 1985 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Monies not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. To the extent any proceeds of the Series 2002 A Bonds remain after paying costs of issuance of the Series 2002 A Bonds, such monies shall be used to pay, within 6 months of the date of issuance, the costs of acquisition and construction of capital improvements to the System. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2002 A Bonds Sinking Fund. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2002 A Bonds.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2002 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2002 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Series 2002 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2002.

## ARTICLE IV

### FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Depository Bank, segregated and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund (established by the Prior Resolutions);
- (2) Renewal and Replacement Fund (established by the Prior Resolutions);
- (3) Costs of Issuance Fund; and
- (4) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Bond Commission, separate and apart from all other funds or accounts of the Bond Commission and the Issuer and from each other:

- (1) Series 2002 A Bonds Sinking Fund;
- (2) Within the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Reserve Account; and
- (3) Within the Series 2002 A Bonds Sinking Fund; the Series 2002 A Bonds Redemption Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2002 A Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

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

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission, (i) commencing 6 months prior to the first interest payment date on the Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2002 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2002 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2002 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2002 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2002 A Bonds Sinking Fund; and (ii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Sinking Fund, and in the Series 2002 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2002 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2002 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Bond Commission, for deposit in the Series 2002 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2002 A Bonds Reserve Account below the Series 2002 A Bonds Reserve Requirement or any withdrawal from the Series 2002 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2002 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2002 A Bonds Reserve Account is less than the Series 2002 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2002 A Bonds Reserve Account for deposit into the Series 2002 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2002 A Bonds Reserve Account to an amount equal to the Series 2002 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2002 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2002 A Bonds Reserve Requirement.

(4) The Issuer shall next, from the monies remaining in the Revenue Fund (as previously set forth in the Prior Resolutions and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

Monies in the Series 2002 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2002 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2002 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2002 A Bonds when due, when amounts in the Series 2002 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the Series 2002 A Bonds Sinking Fund or the Series 2002 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2002 A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2002 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2002 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the Series 2002 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the Series 2002 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2002 A Bonds Reserve Requirement from the first Net Revenues available after all required payments have been made in full in the order set forth above.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period

as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

D. The monies in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund 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.

E. If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

## ARTICLE V

### INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01.      Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Resolution in Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such monies for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

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

(A) Qualified Investments acquired for the Series 2002 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to semiannually transfer from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund, any earnings on the monies deposited therein and any other funds in excess of the requirement therefor; provided, however, that there shall at all times remain on deposit in the Series 2002 A Bonds Reserve Account an amount at least equal to the Series 2002 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or

the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2002 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2002 A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefor, the Bond Insurer, if any, shall be notified immediately of such deficiency, such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2002 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2002 A Bonds Sinking Fund may be invested by the Bond Commission in 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.

Section 5.02.      Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2002 A Bonds in such manner and to such extent as may be necessary, so that the Series 2002 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2002 A Bonds) so that the interest on the Series 2002 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03.      Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2002 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2002 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations,

regardless of whether such actions may be contrary to any of the provisions of this Resolution.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect, with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2002 A Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time.

## ARTICLE VI

### ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2002 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Series 2002 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2002 A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2002 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein, and the unexpended proceeds of the Series 2002 A Bonds, all as herein provided. No Holder or Holders of the Series 2002 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2002 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Parity Pledge of Net Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2002 A Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 2002 A Bonds herein authorized, and to make the payments into the Series 2002 A Bonds Sinking Fund, including the Series 2002 A Bonds Reserve Account therein, and all other payments provided for in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the interest on and principal of the Series 2002 A Bonds herein authorized as the same become due and for the other purposes provided in this Resolution.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such

purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to, on a parity with, or junior to, the Series 2002 A Bonds.

Section 6.05.      Operation and Maintenance. The Issuer will operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

Section 6.06.      Sale of the System. So long as the Series 2002 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2002 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 2002 A Bonds. Any balance remaining after the payment of the Series 2002 A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from

any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall be remitted by the Issuer to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.07 and Section 6.08, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2002 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2002 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2002 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2002 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2002 A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds and Subordinate Debt. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2002 A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Prior Bonds, in which case the more restrictive provisions shall apply).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2002 A Bonds.

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

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of issuance of such additional parity Bonds.

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

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such

extensions or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2002 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2002 A Bonds.

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

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of parity Additional Bonds or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an Independent Certified Public Accountant.

No additional bonds, notes, certificates, contracts or any other obligations shall be issued by the Issuer unless no Event of Default shall have occurred and be continuing with respect to the Bonds.

Section 6.09.      Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

F. FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 6.10. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee.

The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11.      Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the waterworks system, if so owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 6.12.      No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13.      Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as it shall direct.

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, an annual report containing the following:

- (A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System.
- (B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Certified Public Accountant in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures

are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser, the Bond Insurer, if any, and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2002 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2002 A Bonds.

Section 6.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2002 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2002 A Bonds during the term thereof is, under the terms of the Series 2002 A Bonds or any underlying arrangement, directly or indirectly, secured by any

interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2002 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2002 A Bonds during the term thereof is, under the terms of the Series 2002 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2002 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2002 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2002 A Bonds or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2002 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2002 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2002 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.18      Municipal Bond Insurance Policy. The Issuer may apply for a Municipal Bond Insurance Policy for the Series 2002 A Bonds. In the event a Municipal Bond Insurance Policy is obtained, additional covenants and provisions of the Issuer may be required by the Bond Insurer as a condition to insuring the Series 2002 A Bonds. These additional covenants and provisions shall be set forth in a Supplemental Resolution, shall

apply to the Series 2002 A Bonds, and shall be controlling in the event any other provisions of this Resolution may be in conflict therewith.

Section 6.19.      Merger, Consolidation or Acquisition of Issuer. The Issuer may, without the consent of the holders of the Series 2002 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2002 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the Issuer first obtains a written statement by an Independent Certified Public Accountant that the merged, consolidated or acquiring entity will, immediately following such merger, consolidation or acquisition, satisfy the test for the issuance of additional parity bonds set forth in Section 6.08 hereof.

## ARTICLE VII

### DEFAULTS AND REMEDIES

Section 7.01.      Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2002 A Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or any Supplemental Resolution or in the Series 2002 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Bond Insurer; or

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

The Issuer must cure any covenant default within 30 days after notice of the default, and failure (i) to pay principal of or interest on the Bonds, or (ii) to comply with the Subordinate Debt provisions shall be an immediate event of default.

No waivers shall be granted by any party to the Bond documents without the prior written consent of the Bond Insurer, if any.

Section 7.02.      Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Resolution;

(C) Bring suit upon the Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Resolution or the rights of the Bondholders.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03.      Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Series 2002 A Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall

have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2002 A Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Resolution, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

## ARTICLE VIII

### REGISTRAR AND PAYING AGENT

Section 8.01.      Appointment of Registrar. The Registrar for the Series 2002 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02.      Responsibilities of Registrar. The recitals of fact in the Series 2002 A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2002 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2002 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03.      Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04.      Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05.      Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2002 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2002 A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2002 A Bonds Outstanding.

Section 8.06.      Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Series 2002 A Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Series 2002 A Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately.

Section 8.07.      Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2002 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08.      Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2002 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Series 2002 A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

Section 8.09.      Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10.      Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11.      Adoption of Authentication. In case any of the Series 2002 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Series 2002 A Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12.      Paying Agent. The Bond Commission shall serve as the Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2002 A Bonds shall be and remain DTC-eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Resolution. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All monies received by the Paying Agent shall, until used or applied as provided in this Resolution, be held in trust for the purposes for which they were received.

## ARTICLE IX

### DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

Section 9.01. Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all 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 Resolution, then this Resolution and the pledges of the Net Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2002 A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2002 A Bonds from gross income for federal income tax purposes.

The Series 2002 A Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the Series 2002 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2002 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the Series 2002 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2002 A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 2002 A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on the Series 2002 A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Supplemental Resolution.

## ARTICLE X

### MISCELLANEOUS

Section 10.01. Amendment of Resolution. Prior to issuance of the Series 2002 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of the Resolution, shall be controlling. Following issuance of the Series 2002 A Bonds, this Resolution and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. In the event any of the Series 2002 A Bonds are insured, no such amendment or modification which adversely affects the security for such Series 2002 A Bonds or the rights of any Bond Insurer for such Series 2002 A Bonds may be effected without the written consent of such Bond Insurer. No materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2002 A Bonds then Outstanding and affected thereby and such Bond Insurer, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2002 A Bond without the express written consent of the Holder of each Series 2002 A Bond so affected, nor reduce the percentage of Series 2002 A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Resolution if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Series 2002 A Bond shall bind all future Holders and owners of such Series 2002 A Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Resolution shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Resolution shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2002 A Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Series 2002 A Bonds shall be deemed Outstanding under this Resolution and no Series 2002 A Bonds shall be issued in lieu thereof. All such Series 2002 A Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2002 A Bonds which remain unclaimed for 1 year after the date on which such Series 2002 A Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Series 2002 A Bonds shall look only to the Issuer for the payment of such Series 2002 A Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of

such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer. If any of said Series 2002 A Bonds is a coupon Bond, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such monies will be returned to the Issuer, in an Authorized Newspaper.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Paying Agent, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER

Armstrong Public Service District  
Post Office Box 156  
Kimberly, West Virginia 25118  
Attn: General Manager

REGISTRAR AND PAYING AGENT

[Name(s) and address(es) to be set forth in Supplemental Resolution]

DEPOSITORY BANK

[Name and address to be set forth in Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301

BOND INSURER

[Name and address, if any, to be set forth in Supplemental Resolution]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Series 2002 A Bond, but nothing herein contained shall

relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2002 A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2002 A Bonds and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Resolution.

Section 10.11. 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 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed.

Section 10.13. 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 10.14. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 5th day of December, 2002.

Thomas Bowen  
Chairman

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Armstrong Public Service District on the 5th day of December, 2002.

Dated this 23rd day of December, 2002.

[SEAL]

  
Secretary

11/19/02  
664320.00002

EXHIBIT A - BOND FORM

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR- \_\_\_\_\_ \$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BOND, SERIES 2002 A

INTEREST RATE                      MATURITY DATE                      BOND DATE                      CUSIP NO.

REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest

Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on \_\_\_\_\_ 1 and \_\_\_\_\_ 1, in each year, beginning \_\_\_\_\_ 1,200 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by \_\_\_\_\_, \_\_\_\_\_, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each \_\_\_\_\_ 15 and \_\_\_\_\_ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by \_\_\_\_\_, \_\_\_\_\_, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in \_\_\_\_\_, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$ \_\_\_\_\_ designated "Armstrong Public Service District Sewer Refunding Revenue Bonds, Series 2002 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated \_\_\_\_\_ 1, 2002, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1985, dated March 26, 1985, of the Issuer outstanding in the total aggregate principal amount of \$ \_\_\_\_\_ (the "Series 1985 Bonds"), which were issued to finance a portion of the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on \_\_\_\_\_, 2002 and supplemented by a supplemental resolution duly adopted by the Issuer on \_\_\_\_\_, 2002 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled

to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed <u>(Dates Inclusive)</u>	Redemption <u>Price</u>
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(B) Mandatory Sinking Fund Redemption. The Bonds maturing on \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to maturing on \_\_\_\_\_ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

<u>Bonds Maturing</u>	
<u>Year ( )</u>	<u>Principal Amount</u>

<u>Bonds Maturing</u>	
<u>Year ( )</u>	<u>Principal Amount</u>

Bonds Maturing

<u>Year ( )</u>	<u>Principal Amount</u>
-----------------	-------------------------

Bonds Maturing

<u>Year ( )</u>	<u>Principal Amount</u>
-----------------	-------------------------

Bonds Maturing

<u>Year ( )</u>	<u>Principal Amount</u>
-----------------	-------------------------

\* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System and from monies in the reserve account created under the Resolution for the Bonds (the "Series 2002 A

Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2002 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with, or junior to, the Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1985 Bonds, fund a reserve account for the Bonds, and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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 be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

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

IN WITNESS WHEREOF, ARMSTRONG PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

(Manual or Facsimile Signature)  
Chairman

ATTEST:

(Manual or Facsimile Signature)  
Secretary

11/19/02  
028360.00001

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the fully registered Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Bonds.

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

\_\_\_\_\_  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

(FORM OF)  
ASSIGNMENT

Social Security or Other Identifying Number of Assignee \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers  
unto \_\_\_\_\_

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

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

\_\_\_\_\_  
SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with  
the name as it appears upon the face of the within Bond in every particular, without alteration  
or any change whatever.



ARMSTRONG PUBLIC SERVICE DISTRICT  
Sewer Refunding Revenue Bonds, Series 2002 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF ARMSTRONG PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

WHEREAS, Armstrong Public Service District (the "Issuer"), in the County of Fayette, State of West Virginia, is a public service district and public corporation of said State, the governing body of which is this public service board (the "Governing Body");

WHEREAS, the Governing Body duly adopted on December 5, 2002, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BOND, SERIES 1985, OF ARMSTRONG PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$900,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE

SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE CERTIFICATE AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Resolution when used herein;

WHEREAS, the Resolution provided for the refunding of the Issuer's Sewer Revenue Bonds, Series 1985, dated March 26, 1985 (the "Series 1985 Bonds"), and issuance of its Sewer Refunding Revenue Bonds, Series 2002 A (the "Series 2002 A Bonds"), in an aggregate principal amount not to exceed \$900,000, for the purposes of paying a portion of the costs of such refunding, funding all or a portion of a reserve account for the Series 2002 A Bonds, and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2002 A Bonds should be established, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Certificate, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2002 A Bonds be provided for by a supplemental resolution of the Governing Body upon receipt of a Bond Purchase Agreement acceptable to the Governing Body;

WHEREAS, the Series 2002 A Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, dated the date of adoption hereof (the "Bond Purchase Agreement");

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Certificate and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Series 2002 A Bonds, hereinafter described, be approved, that the dates, amounts, maturities, interest rates, redemption provisions, purchase price and other details of the Series 2002 A Bonds be fixed hereby in the manner

stated herein, and that other matters relating to the Series 2002 A Bonds be herein provided for, all in accordance with the Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF ARMSTRONG PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2002 A Bonds. The Series 2002 A Bonds shall be dated December 1, 2002, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable semiannually on April 1 and October 1 of each year, commencing April 1, 2003, shall mature on April 1 in such years, and shall have such redemption provisions and other terms as are set forth in EXHIBIT A - SERIES 2002 A BOND TERMS, attached hereto and incorporated by reference herein. All other provisions relating to the Series 2002 A Bonds shall be as provided in the Resolution, and the Series 2002 A Bonds shall be in substantially the form provided in the Resolution.

Section 2. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, dated the date of adoption of this Supplemental Resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Bond Purchase Agreement by the Chairman shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2002 A Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 2002 A Bonds, pursuant to the Bond Purchase Agreement, shall be \$748,060.80 (par amount of \$785,000, less Underwriter's Discount of \$25,000, less original issue discount of \$11,939.20), plus interest accrued from the date of the Series 2002 A Bonds to the date of delivery of the Series 2002 A Bonds, expected to be on or about December 23, 2002.

Section 3. The Issuer does hereby approve the transfer of \$72,914.94 from the Series 1985 Bonds Reserve Account, held by the Depository Bank, directly to the Holder of the Series 1985 Bonds to provide sufficient funds to defease the Series 1985 Bonds.

Section 4. The Continuing Disclosure Certificate by and between the Issuer and the Original Purchaser, to be dated as of the date of delivery of the Series 2002 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the Chairman.

The execution of the Continuing Disclosure Certificate by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 5. The Official Statement dated the date of adoption of this Supplemental Resolution, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Chairman), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Chairman shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated December 9, 2002 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Chairman is hereby ratified and approved.

Section 6. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Series 2002 A Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 7. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 2002 A Bonds.

Section 8. The Issuer does hereby appoint and designate United Bank, Inc, Charleston, West Virginia, for the purpose of serving in the capacity of Registrar and City National Bank, Montgomery, West Virginia, for the purpose of serving as Depository Bank.

Section 9. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 10. The notice addresses for the Registrar, Paying Agent and Original Purchaser shall be as follows:

REGISTRAR

Ms. Kathy Smith, Vice President and Trust Officer  
United Bank, Inc.  
500 Virginia Street, East  
Charleston, West Virginia 25301  
Attention: Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission  
#8 Capitol Street, Suite 500  
Charleston, West Virginia 25301  
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates, Inc.  
Post Office Box 2764 25330-2764  
930 One Valley Square  
Charleston, West Virginia 25301  
Attention: Public Finance

Section 11. Based upon the actual principal amount, maturity schedule and interest rates for the Series 2002 A Bonds, as set forth in EXHIBIT A - SERIES 2002 A BOND TERMS, attached hereto, it is hereby determined that the Series 2002 A Bonds show a net savings to the Issuer after deducting all expenses of the refunding. Prior to delivery of the Series 2002 A Bonds, the Issuer shall have obtained from Howard W. Cloke, III, CPA, or such other independent certified public accountant acceptable to the Chairman, a certification that the amount of savings stated to be achieved by the refunding shall in fact be correct, based upon their review, comparison and analysis of the total net debt service in dollars of the Series 2002 A Bonds and the remaining total net debt service in dollars of the Series 1985 Bonds. The Chairman is hereby authorized and directed to employ Howard W. Cloke, III, CPA, Barboursville, West Virginia, or such other independent certified public accountant satisfactory to bond counsel, to supply the certification required herein and to take other actions required in connection with the refunding.

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 2002 A Bond issue to the end that the Series 2002 A Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 13. This Supplemental Resolution shall be effective immediately.

Adopted this 12th day of December, 2002.

Thomas Bowen  
Chairman

EXHIBIT A - SERIES 2002 A BOND TERMS

TERM BONDS

<u>Bond No.</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
AR-1	042459AA5	04/01/2008	\$125,000	4.000%	100.000%
AR-2	042459AB3	04/01/2013	\$140,000	4.700%	100.000%
AR-3	042459AC1	04/01/2018	\$180,000	5.100%	97.915%
AR-4	042459AD9	04/01/2022	\$180,000	5.500%	97.669%
AR-5	042459AE7	04/01/2025	\$160,000	5.600%	97.506%

Optional Redemption

The Series 2002 A Bonds maturing on or after April 1, 2013, at the option of the District, will be subject to redemption prior to maturity on or after April 1, 2008, as a whole or in part at any time, at a redemption price (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued interest to the date fixed for redemption:

Period During Which Redeemed  
(both dates inclusive)

Redemption Date	Redemption Price
April 1, 2008 - March 31, 2009	102 %
April 1, 2009 - March 31, 2010	101 %
April 1, 2010 - and thereafter	100 %

If fewer than all of the Series 2002 A Bonds shall be called for optional redemption, the particular maturities of the Series 2002 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2002 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2002 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Sinking Fund Redemption

The Series 2002 A Bonds maturing April 1, 2008, shall be subject to mandatory redemption prior to maturity in part from monies on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2003, and on each April 1 thereafter to and including April 1, 2008, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$10,000	2006	\$25,000
2004	\$20,000	2007	\$25,000
2005	\$20,000	2008*	\$25,000

The principal amount of Series 2002 A Bonds maturing April 1, 2008, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2013, shall be subject to mandatory redemption prior to maturity in part from monies on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2009, and on each April 1 thereafter to and including April 1, 2013, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	\$25,000	2012	\$30,000
2010	\$25,000	2013*	\$30,000
2011	\$30,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2013, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2018, shall be subject to mandatory redemption prior to maturity in part from monies on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2014, and on each April 1 thereafter to and including April 1, 2018, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2014	\$30,000	2017	\$40,000
2015	\$35,000	2018*	\$40,000
2016	\$35,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2018, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2022, shall be subject to mandatory redemption prior to maturity in part from monies on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2019, and each April 1 thereafter to and including April 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$40,000	2021	\$45,000
2020	\$45,000	2022*	\$50,000

The principal amount of Series 2002 A Bonds maturing April 1, 2022, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2025 shall be subject to mandatory redemption prior to maturity in part from monies on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2023, and on each April 1 thereafter to and including April 1, 2025, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$50,000	2025*	\$55,000
2024	\$55,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2025, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

\*Stated maturity.

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of ARMSTRONG PUBLIC SERVICE DISTRICT on the 12th day of December, 2002.

Dated this 23rd day of December, 2002.

[SEAL]

  
Secretary

12/12/02  
028360.00001



\$785,000

ARMSTRONG PUBLIC SERVICE DISTRICT

Sewer Refunding Revenue Bonds, Series 2002 A

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned, Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, and the Chairman of Armstrong Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 23<sup>rd</sup> day of December, 2002, in New York, New York, the Underwriter received the entire original issue of \$785,000 in aggregate principal amount of the Armstrong Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"). The Bonds, as so received on original issuance, are in various denominations, are dated December 1, 2002, and are numbered from AR-1 upward in order of maturity, and are registered in the name of "CEDE & CO."

2. At the time of such receipt of the Bonds, they had been executed by Thomas Bowen, as Chairman of the Issuer by his manual signature, and the official seal of the Issuer had been impressed upon each Bond and attested by Beverly Middleton as Secretary of the Issuer by her manual signature, and had been authenticated by an authorized officer of United Bank, Inc., Charleston, West Virginia, as Registrar.

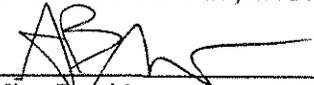
3. The Issuer has received and hereby acknowledges receipt from the Underwriter, as the original purchaser of the Bonds, the proceeds of the Bonds, as follows:

Par Amount	\$785,000.00
Less: Underwriter's Discount	\$(25,000.00)
Original Issue Discount	\$(11,939.20)
Plus: Accrued Interest (December 1, 2002 to December 23, 2002)	\$ <u>2,421.22</u>
Total	<u>\$750,482.02</u>

Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of \$750,482.02.

WITNESS our respective signatures this 23rd day of December, 2002.

CREWS & ASSOCIATES, INC.

By:   
Its: Vice President

ARMSTRONG PUBLIC SERVICE DISTRICT

By: Thomas Bowers  
Its: Chairman

12/17/02  
028360.00001



\$785,000

ARMSTRONG PUBLIC SERVICE DISTRICT

Sewer Refunding Revenue Bonds, Series 2002 A

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

United Bank, Inc., as Registrar  
Charleston, WV

Ladies and Gentlemen:

There are delivered to you herewith as Registrar for the above-captioned Bonds:

1. Bonds Nos. AR-1 through AR-5, inclusive, constituting the entire original issue of the Armstrong Public Service District Sewer Refunding Revenue Bonds, Series 2002 A, dated December 1, 2002, in the aggregate principal amount of \$785,000 (the "Bonds"), executed by the Chairman and Secretary of Armstrong Public Service District (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to a Resolution adopted by the Issuer on December 5, 2002, as supplemented by a Supplemental Resolution adopted by the Issuer on December 12, 2002 (collectively, the "Resolution").
2. Copies of the Resolution, certified by the Secretary of the Issuer.
3. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.
4. A signed, unqualified approving opinion of Steptoe & Johnson PLLC, as bond counsel.

You are hereby requested and authorized, pursuant to Section 3.12 of the Resolution, to authenticate, register and deliver the Bonds to The Depository Trust Company, New York, New York, for the account of Crews & Associates, Inc., as the original purchaser thereof.

Dated this 23rd day of December, 2002.

ARMSTRONG PUBLIC SERVICE DISTRICT

By: Thomas Bowen  
Chairman

12/17/02  
028360.00001



# SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-1

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BOND, SERIES 2002 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.000%	April 1, 2008	12/1/2002	042459 AA5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS  
(\$125,000.00)

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered

for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning April 1, 2003 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by West Virginia Municipal Bond Commission Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each March 15 and September 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United Bank, Inc., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$785,000 designated "Armstrong Public Service District Sewer Refunding Revenue Bonds, Series 2002 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated December 1, 2002, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1985, dated March 26, 1985, of the Issuer outstanding in the total aggregate principal amount of \$716,441.41 (the "Series 1985 Bonds"), which were issued to finance a portion of the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on December 5, 2002 and supplemented by a supplemental resolution duly adopted by the Issuer on December 12, 2002 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights,

obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

#### Optional Redemption

The Series 2002 A Bonds maturing on or after April 1, 2013, at the option of the District, will be subject to redemption prior to maturity on or after April 1, 2008, as a whole or in part at any time, at a redemption price (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued interest to the date fixed for redemption:

#### Period During Which Redeemed (both dates inclusive)

Redemption Date	Redemption Price
April 1, 2008 - March 31, 2009	102%
April 1, 2009 - March 31, 2010	101
April 1, 2010 and thereafter	100

If fewer than all of the Series 2002 A Bond shall be called for optional redemption, the particular maturities of the Series 2002 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2002 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2002 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

#### Sinking Fund Redemption

The Series 2002 A Bonds maturing April 1, 2008, April 1, 2013, April 1, 2018, April 1, 2022 and April 1, 2025, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking fund at redemption prices equal to 100% of the principal amounts thereof, plus accrued interest to the mandatory redemption dates, on the dates and in the amounts set forth below:

Series 2008 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$10,000	2006	\$25,000
2004	20,000	2007	25,000
2005	20,000	2008*	25,000

Series 2013 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	\$25,000	2012	\$30,000
2010	25,000	2003*	30,000
2011	30,000		

Series 2018 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2014	\$30,000	2017	\$40,000
2015	35,000	2018*	40,000
2016	35,000		

Series 2022 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$40,000	2021	\$45,000
2020	45,000	2022*	50,000

Series 2025 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$50,000	2025*	\$55,000
2024	55,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2008, April 1, 2013, April 1, 2018, April 1, 2022 and April 1, 2025, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

\*Stated maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System and from monies in the reserve account created under the Resolution for the Bonds (the "Series 2002 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2002 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with, or junior to, the Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1985 Bonds, fund a reserve account for the Bonds, and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other

obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

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 be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

This Bond has been designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, ARMSTRONG PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

Thomas Bauer  
Chairman

ATTEST:

Beverly Middleton  
Secretary

11/19/02  
028360.00001

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

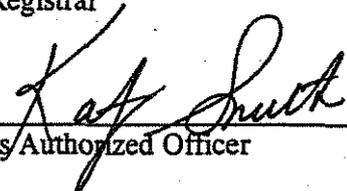
This Bond is one of the fully registered Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Bonds.

Dated: December 23, 2002.

UNITED BANK, INC.

as Registrar

By

  
\_\_\_\_\_  
Its Authorized Officer

(FORM OF)  
ASSIGNMENT

Social Security or Other Identifying Number of Assignee \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers  
unto \_\_\_\_\_

\_\_\_\_\_ the within Bond and does hereby irrevocably constitute  
and appoint \_\_\_\_\_

\_\_\_\_\_ to transfer the said Bond on the books  
kept for registration thereof with full power of substitution in the premises.

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

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with  
the name as it appears upon the face of the within Bond in every particular, without alteration  
or any change whatever.

12/17/02  
028360.00001

# SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-2

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BOND, SERIES 2002 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.700%	April 1, 2013	12/1/2002	042459 AB3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED FORTY THOUSAND DOLLARS  
(\$140,000.00)

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered

# SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-3

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BOND, SERIES 2002 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.100%	April 1, 2018	12/1/2002	042459AC1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED EIGHTY THOUSAND DOLLARS  
(\$180,000.00)

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered

# SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-4

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BOND, SERIES 2002 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.500%	April 1, 2022	12/1/2002	042459AD9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED EIGHTY THOUSAND DOLLARS  
(\$180,000.00)

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered

# SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-5

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BOND, SERIES 2002 A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.600%	April 1, 2025	12/1/2002	042459AE7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED SIXTY THOUSAND DOLLARS  
(\$160,000.00)

KNOW ALL MEN BY THESE PRESENTS: That ARMSTRONG PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date



**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 26th day of November, 2002.

CASE NO. 02-1692-PSD-PC

**ARMSTRONG PUBLIC SERVICE DISTRICT**

Petition for consent and approval to borrow funds for the District to issue Series 2002 bonds at a rate not to exceed 6.00%.

**COMMISSION CORRECTIVE ORDER**

By a Commission Order entered November 19, 2002, the Commission approved an October 25, 2002, petition filed by the Armstrong Public Service District to issue refunding revenue bonds. However, the Commission inadvertently stated the maturity date of the new bonds to be November 30, 2003, instead of April 1, 2025.

WHEREFORE, the Commission hereby modifies those references in its November 19, 2002, order regarding the maturity date of the refunding bonds.

**ORDER**

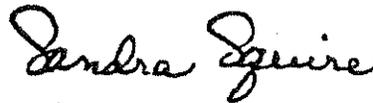
IT IS THEREFORE ORDERED that those references contained in the Commission Order of November 19, 2002, regarding maturity date of the refinancing bonds are hereby revised to state the maturity of such bonds as April 1, 2025.

IT IS FURTHER ORDERED that in all other respects the Commission's Order of November 19, 2002, remains unchanged.

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

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

A True Copy, Teste:



Sandra Squire  
Executive Secretary

ARC  
JJW/lfg  
021692ca.wpd

021692com111902.wpd

**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 19th day of November, 2002.

CASE NO. 02-1692-PSD-PC

**ARMSTRONG PUBLIC SERVICE DISTRICT**

Petition for consent and approval to borrow funds for the District to issue Series 2002 bonds at a rate not to exceed 6.00%.

**COMMISSION ORDER**

On October 25, 2002, a petition was filed on behalf of the Armstrong Public Service District (District) by its attorney seeking the Commission's consent and approval to redeem its Series 1985 Bonds in order to realize a substantial debt service savings. The Series 1985 Bonds were issued in the aggregate principal amount of \$778,000.00, bearing an interest rate of 9.750%, with principal and interest payable monthly and were purchased by the United States Department of Agriculture, Rural Utilities Service (RUS). The outstanding principal amount of the Series 1985 Bonds is approximately \$707,642.27, as of June 30, 2002. Due to the current interest rate environment, the District has determined that it can redeem the Series 1985 Bonds, which bear an interest rate significantly higher than the current market rate, thus realizing substantial debt service savings. The District plans to issue refunding revenue bonds in the original amount of 745,000.00, at an interest rate between 3.5% and 5.5%, but not to exceed 6.00%. Said bonds would mature at the same time as the Series 1985 Bonds, on or before November 30, 2003. The Series 2002 bonds will be purchased by the investment banker, Crews & Associates, Inc. The proceeds of the purchase will be used to retire all the Series 1985 Bonds, fund a reserve account for the Series 2002 Bonds, and pay the costs of issuance.

Staff filed its recommendation on November 8, 2002. Staff calculated the yearly debt service payments by borrowing the \$745,000 at 3.25% and 5.5%. The District will save between \$20,563 to \$31,681 annually by refinancing this loan. Staff averred the refinancing will provide a substantial financial benefit to the District and its customers. Staff recommended approval of the petition.

DISCUSSION

Based upon the foregoing, the Commission shall grant the District's petition to refinance its existing bonds.

FINDINGS OF FACT

1. On October 25, 2002, a petition was filed on behalf of the Armstrong Public Service District by its attorney seeking the Commission's consent and approval to redeem its Series 1985 Bonds in order to realize a substantial debt service savings.

2. Staff filed its recommendation on November 8, 2002. Staff recommended approval of the refinancing.

CONCLUSION OF LAW

It is reasonable to grant the petition based on the financial benefit to the District.

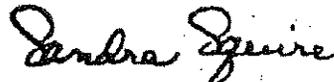
ORDER

IT IS THEREFORE ORDERED that Armstrong Public Service District's petition to redeem its Series 1985 Bonds and to issue refunding revenue bonds, in the original amount of \$745,000.00, at an interest rate of between 3.5% and 5.5%, but not to exceed 6.00%, with a maturity date of November 30, 2003, is hereby approved.

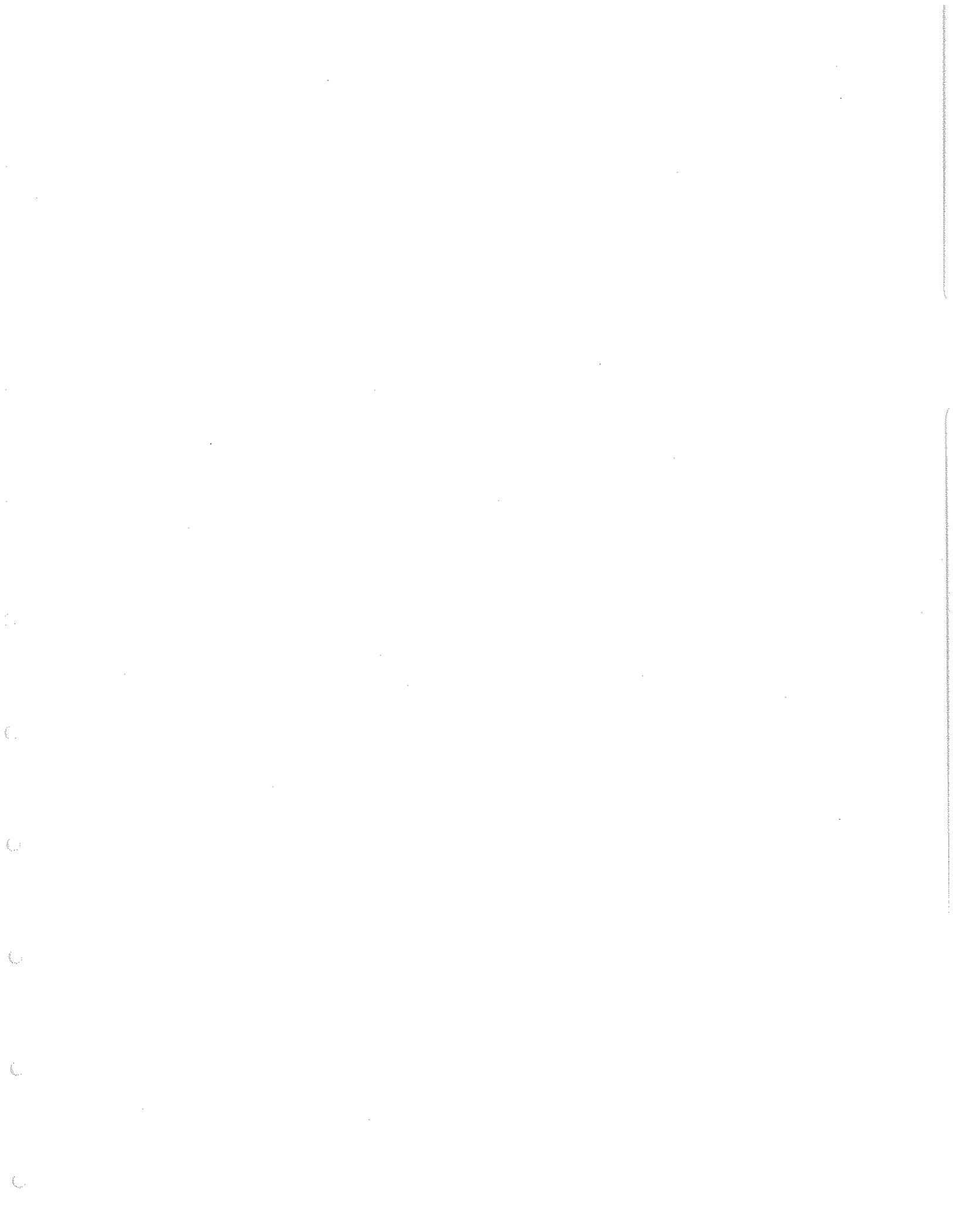
IT IS FURTHER ORDERED that upon entry of this order, this case shall be removed from the Commission's docket of open cases.

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

A True Copy, Teste:

  
Sandra Squire  
Executive Secretary

ARC  
JJW/lfg  
021692c.wpd



Fayetteville, West Virginia  
March 7, 1955

The County Court of Fayette County, West Virginia, met this day in Special Session held this 7th day of March, 1955, at 10:00 A.M., pursuant to the call of E. W. Kelly, President, C. B. Vickers, Commissioner, and Orval Kessler, Commissioner, said call being;

"To consider a petition of residents and property owners of Armstrong Creek, Kanawha District, Fayette County, West Virginia, asking for the creation of a public service district in the area therein described, and to adopt a proposed resolution and enter a proper order fixing a date of hearing on the creation of a public service district on Armstrong Creek, Kanawha District, Fayette County, West Virginia, as set forth in said petition and to provide for the publication of a notice of such hearing".

The meeting was called to order and the roll being called there were present E. W. Kelly, President, presiding and the following named commissioners:

C. B. Vickers

Orval Kessler

And were absent: None

C. B. Vickers introduced and caused to be read a proposed resolution and order entitled:

"A resolution and order fixing a date of hearing on the creation of a public service district within Fayette County, West Virginia; and providing for the publication of a notice of such hearing", and moved that all rules otherwise requiring deferred consideration be suspended and said proposed resolution and order be adopted. Orval Kessler seconded the motion and after due consideration the President put the question on the motion, and the roll being called the following voted.

Aye:	E. W. Kelly	President
	C. B. Vickers	Commissioner
	Orval Kessler	Commissioner

Nay: None

Whereupon the president declared the motion duly carried and said resolution and order duly adopted on motion and vote, the meeting was thereupon adjourned.

Miss Lacy Neely  
Clerk

Edw. Kelly  
President

A Resolution and Order fixing a date of hearing on the creation of a proposed public service district within Fayette County, West Virginia; and providing for the publication of a notice of such hearing.

\*\*\* \*\*

WHEREAS, there has heretofore been filed in the office of the Clerk of the County Court of Fayette County, West Virginia, a petition to this County Court, for the creation of a public service district within Fayette County, West Virginia; and

WHEREAS, said County Court Clerk has presented such petition to this County Court at this meeting; and

WHEREAS, pursuant to the provisions of Article 13A of Chapter 16 of the West Virginia Code this County Court upon presentation of such petition is required to fix a date of hearing on the creation of the proposed public service district:

NOW, THEREFORE, Be It and It Is Hereby Resolved and Ordered by the County Court of Fayette County, West Virginia, as follows:

Section 1. That the County Court of Fayette County, West Virginia, hereby finds and declares that there has been filed in the office of the County Court Clerk and presented by said County Court Clerk to this County Court a petition for the creation of a public service district within Fayette County, West Virginia, which petition contains a description sufficient to identify the territory to be embraced within the proposed public service district and the name of the proposed public service district and which petition has been signed by at least one hundred legal voters resident within and owning real property within the limits of the proposed public service district, and said County Court further finds and declares that said petition in all respects meets the requirements of Article 13 A of Chapter 16 of the West Virginia Code.

Section 2. That said petition, among other things, states as follows:

(a) The name and corporate title of said public service district shall be the "Armstrong Creek Public Service District".

(b) The territory to be embraced in said public service district shall be as follows:

"Beginning at a point in the Great Kanawha River approximately 2,000 feet down stream from the mouth of Armstrong Creek, thence up the Great Kanawha River approximately 6,300 feet, thence leaving the river S 32° 45' W. 1,400 feet, N. 57° 15' W. 3,000 feet, S 32° 45' W. 12,000 feet, S 17° 00' W. 4,000 feet, S 39° 45' W. 7,000 feet, S 17° 00' W. 2,000 feet, N. 75° 00' W. 6,000 feet, S 17° 00' W. 4,300 feet, S 1° 15' W. 4,300 feet, S. 82° 45' W. 2,000 feet, N. 1° 15' E. 5,000 feet, N. 17° 00' E. 16,000 feet, N. 32° 45' E. 7,000 feet, N. 57° 15' W. 3,000 feet, N. 32° 45' E. 2,000 feet, S. 57° 15' E. 3,000 feet, N. 32° 45' E. 6,300 feet to place of beginning, comprising the communities of Mb. Carbon, Kimberly, Columbia, Jenkins Fork, Elk Ridge and Powellton."

(c) The purpose of said public service district shall be to construct, or acquire by purchase or otherwise, and maintain, operate, improve and extend properties supplying water and sewerage services within such territory and <sup>also</sup> outside such territory to the extent permitted by law.

(d) The territory described above does not include within its limits the territory of any other public service district organized under Article 13A of Chapter 16 of the West Virginia Code, nor does such territory include within its limits any city, incorporated town or other municipal corporation.

Section 3. That on April 10<sup>th</sup>, 1955, at the hour of 10:00 o'clock A.M., this County Court shall meet in the County Court House at Fayetteville, West Virginia, for the purpose of conducting a public hearing on the creation of the proposed public service district at which time and place all persons residing in or owning or having any interest in property

in the proposed public service district may appear before this County Court and shall have an opportunity to be heard for and against the creation of said district, and at such hearing, this County Court shall consider and determine the feasibility of the creation of the proposed public service district.

Section 4. That the County Court Clerk is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on March 17<sup>th</sup>, 1955, in the Northwestern Herald, a newspaper of general circulation published in Fayette County:

NOTICE OF PUBLIC HEARING  
ON CREATION OF ARMSTRONG  
CREEK PUBLIC SERVICE DISTRICT

NOTICE IS HEREBY GIVEN that a legally sufficient petition has been filed with the Clerk of the County Court of Fayette County, West Virginia, and has been presented to the County Court of Fayette County for the creation of a public service district within Fayette County, for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation, improvement and extension of public service properties supplying water and sewerage services within said district and also outside said district to the extent permitted by law; to be named "Armstrong Creek Public Service District"; and having the following described boundaries:

"Beginning at a point in the Great Kanawha River approximately 2,000 feet down stream from the mouth of Armstrong Creek, thence up the Great Kanawha River approximately 6,300 feet, thence leaving the river S 32° 45' W. 1,400 feet, N. 57° 15' W. 3,000 feet, S 32° 45' W. 12,000 feet, S 17° 00' W. 4,000 feet, S 39° 45' W. 7,000 feet, S 17° 00' W. 2,000 feet, N. 75° 00' W. 6,000 feet, S 17° 00' W. 4,300 feet, S 1° 15' W. 4,300 feet, S. 82° 45' W. 2,000 feet, N. 1° 15' E. 5,000 feet, N. 17° 00' E. 16,000 feet, N. 32° 45' E. 7,000 feet, N. 57° 15' W. 3,000 feet, N. 32° 45' E. 2,000 feet, S. 57° 15' E. 3,000 feet, N. 32° 45' E. 6,300 feet to place of beginning, comprising the communities of Mt. Carbon, Kimberly, Columbia, Jenkins Fork, Elk Ridge and Powellton."

All persons residing in or owning or having any interest in property in said proposed public service district are hereby notified that the County Court of Fayette County will conduct a public hearing on April 6<sup>th</sup>, 1955 at 10:00 o'clock A.M., in the County Court House at Fayetteville, West Virginia, at which time and place all interested persons may appear before the County Court and shall have an opportunity to be heard for and against the creation of the proposed public service district.

By Order of the County Court this 7<sup>th</sup> day of March, 1955.

Mrs. Lacy Neely  
County Court Clerk

Adopted by the County Court March 7<sup>th</sup>, 1955.

Ed Rolly  
President

Attest:

Mrs. Lacy Neely  
Clerk

\*\*\* \*\*

STATE OF WEST VIRGINIA )  
COUNTY OF FAYETTE ) ss

I, Mrs. Lacy Neely, hereby certify that I am the duly qualified and acting Clerk of the County Court of Fayette County, West Virginia, and that the foregoing constitutes a true, correct and complete transcript of the proceedings of said County Court as had under date of March 7<sup>th</sup>, 1955, and a resolution and order then adopted relating to the proposed creation of the Armstrong Creek Public Service District, all as shown by the official records in my office.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and the seal of said Court at Fayetteville, West Virginia, this March 7<sup>th</sup>, 1955.

Mrs. Lacy Neely  
County Court Clerk

(SEAL)

Fayetteville, West Virginia

April 6, 1955

The County Court of Fayette County, West Virginia, met in regular session pursuant to law and to the rules of said Court at the County Court House, Fayetteville, West Virginia, at 10 o'clock A.M. The meeting was called to order and the roll being called there were present E.W. KELLY, President, presiding, and the following named Commissioners: ORVAL KESSLER C.B. VICKERS

Absent: None.

\*\*\* \*\*

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed Armstrong Creek Public Service District, as contemplated and provided for in a resolution and order adopted by the County Court on March 7, 1955, the President announced that all persons residing in or owning or having any interest in property in such proposed public service district desiring to be heard for or against the creation of said district would be heard and all such interested persons desiring to be heard were given full opportunity.

The County Court then further discussed the creation of said public service district, whereupon C.B. VICKERS introduced and caused to be read a proposed resolution and order, entitled:

"A RESOLUTION AND ORDER creating Armstrong Creek Public Service District in Fayette County, West Virginia,"

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and

order be adopted. ORVAL KESSLER seconded the motion and after due consideration the President put the question on the motion and the roll being called, the following voted:

Aye: C. B. VICKER, ORVAL KESSLER  
E. W. KELLY

Nay: None.

Whereupon the President declared the motion duly carried and said resolution and order duly adopted.

C. B. Vickers introduced and caused to be read a proposed resolution and order, entitled:

"A RESOLUTION AND ORDER appointing members to the public service board of the Armstrong Creek Public Service District."

and moved that all rules otherwise requiring deferred consideration or several readings be suspended and said proposed resolution and order be adopted. Orval Kessler seconded the motion

and after due consideration the President put the question on the motion and the roll being called, the following voted:

Aye: C. B. Vickers Orval Kessler  
E. W. KELLY

Nay: None.

Whereupon the President declared the motion duly carried and said resolution and order duly adopted.

\*\*\* \*\*

On motion and vote the meeting adjourned.

Attest: E. W. Kelly  
President

Mrs. Lucy Reely  
Clerk



A RESOLUTION AND ORDER creating Armstrong  
Creek Public Service District in Fayette  
County, West Virginia.

\*\*\* \*\*

WHEREAS, the County Court of Fayette County, West Virginia, did heretofore by a resolution and order adopted March 7, 1955, fix a date for a public hearing on the creation of the proposed Armstrong Creek Public Service District and in and by said resolution and order provide that all persons residing in or owning or having any interest in property in the proposed public service district might appear before the County Court at this meeting and have the opportunity to be heard for and against the creation of said district; and

WHEREAS, notice of this hearing was duly given in the manner provided and required by said resolution and order and by Article 13A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the creation of said district, but no written protest has been filed by the requisite number of qualified voters registered and residing within said proposed public service district and said County Court has given due consideration to all matters for which such hearing was offered; and

WHEREAS, it is now deemed desirable by said County Court to adopt a resolution and order creating said district:

NOW, THEREFORE, Be It and It Is Hereby Resolved and Ordered by the County Court of Fayette County, West Virginia, as follows:

Section I. That a public service district within Fayette County, West Virginia, is hereby created, and said district shall have the following described boundaries:

Beginning at a point in the Great Kanawha River approximately 2,000 feet down stream from the mouth of Armstrong Creek, thence up the Great Kanawha River approximately 6,300 feet, thence leaving the river S 32° 45' W. 1,400 feet, N. 57° 15' W. 3,000 feet, S 32° 45' W. 12,000 feet, S 17° 00' W. 4,000 feet, S 39° 45' W. 7,000 feet, S 17° 00' W. 2,000 feet, N. 75° 00' W. 6,000 feet, S 17° 00' W. 4,300 feet, S 15° 15' W. 4,300 feet, S. 82° 45' W. 2,000 feet, N. 1° 15' E. 5,000 feet, N. 17° 00' E. 16,000 feet, N. 32° 45' E. 7,000 feet, N. 57° 15' W. 3,000 feet, N. 32° 45' E. 2,000 feet, S. 57° 15' E. 3,000 feet, N. 32° 45' E. 6,300 feet to place of beginning, comprising the communities of Mt. Carbon, Kimberly, Columbia, Jenkins Fork, Elk Ridge and Powellton.

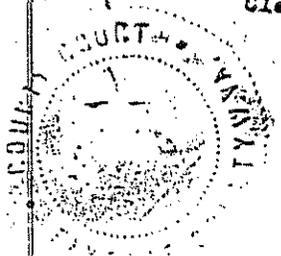
Section 2. That said public service district so created shall have the name and corporate title of "Armstrong Creek Public Service District" and shall constitute a public corporation and political subdivision of the State of West Virginia having all of the rights and powers conferred on public service districts by the laws of the State of West Virginia and particularly Article 13A of Chapter 16 of the West Virginia Code.

Section 1. That the County Court of Fayette County, West Virginia, has determined that the territory within Fayette County, West Virginia, having the hereinabove described boundaries, is so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying both water and sewerage services within such territory by said public service district will be conducive to the preservation of public health, comfort and convenience of such area.

ADOPTED BY THE COUNTY COURT Chubb, 1955

[Signature]  
President

Attest:  
Mrs. Lacey Neely  
Clerk



CV:bjb  
7/30/55

West Virginia, County of Fayette:  
I, H. E. JANNEY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.  
In Testimony Whereof, I hereunto place my hand and affix my seal of said Commission this the MAY 17 1955  
H. E. JANNEY, Clerk  
By [Signature] Deputy

Kimberly, West Virginia

June 18, \_\_\_\_\_, 1956

The Public Service Board of the Armstrong Creek Public Service District, met in regular session pursuant to law and to the rules of said Board, at the office of said Board in Kimberly, West Virginia at 12:05 o'clock P.M. on June 18, \_\_\_\_\_, 1956.

The meeting was called to order by the Chairman, and the roll being called there were present C. R. Stahl, Chairman, presiding, and the following named members:

M. M. Fitzwater, J. E. McMillion, \_\_\_\_\_

\_\_\_\_\_ ; also

Glenn Hartman, Secretary.

Absent: None.

\* \* \* \*

Thereupon J. E. McMillion introduced and caused to be read a proposed resolution entitled:

"Resolution changing the official name and corporate title of Armstrong Creek Public Service District to 'Armstrong Public Service District', providing for a new corporate seal and ratifying and confirming prior acts, proceedings, resolutions and orders of the Public Service Board,"

and moved that all rules be suspended and said resolution adopted.

M. M. Fitzwater seconded the motion, and after due consideration the Chairman put the question on the motion for adoption of said resolution, and the roll being called the following voted:

Aye: J. E. McMillion, C. R. Stahl

M. M. Fitzwater

Nay: None.

Whereupon the Chairman declared the motion duly carried and said resolution duly adopted.

\* \* \* \*

On motion and vote the meeting adjourned.

C. R. Stahl  
Chairman

Attest:

Glenn Hartman  
Secretary

Resolution changing the official name and corporate title of Armstrong Creek Public Service District to "Armstrong Public Service District", providing for a new corporate seal and ratifying and confirming prior acts, proceedings, resolutions and orders of the Public Service Board.

WHEREAS, Armstrong Creek Public Service District in Fayette County, West Virginia, has heretofore been duly created and is now organized and operating under the provisions of Article 13A of Chapter 16 of the West Virginia Code, and the Public Service Board of said District has heretofore been organized and is now functioning as the governing body of said District, having the duties, powers and authority as provided by said law; and

WHEREAS, said District has not heretofore issued any bonds pursuant to the provisions of said law and therefore under the provisions of Section 1409(38d) of said Article 13A the Public Service Board may by resolution change the official or corporate name of the District; and

WHEREAS, it is deemed advisable and necessary by the Public Service Board at this time to adopt such a resolution changing the official name and corporate title of the District;

NOW, THEREFORE, Be It and It Is Hereby Resolved by the Public Service Board of Armstrong Creek Public Service District, Fayette County, West Virginia, as follows:

Section 1. That the official name and corporate title of the Armstrong Creek Public Service District is hereby changed to "Armstrong Public Service District" and this change shall be effective from and after the filing of an authenticated copy of this resolution with the Clerk of the County Court of Fayette County, West Virginia.

Section 2. That the Secretary of said Board is hereby authorized and directed to procure a new corporate seal, said seal to contain the words "Armstrong Public Service District, Fayette County, West Virginia".

Section 3. That all acts, proceedings of any nature, resolutions and orders taken or adopted by this Public Service Board in the name of the Armstrong Creek Public Service District prior to the adoption of this resolution are hereby ratified and confirmed as the acts, proceedings, resolutions and orders of the Public Service Board of Armstrong Public Service District.

Section 4. That all resolutions, orders, or parts thereof in so far as the same may be in conflict herewith are to the extent of such conflict hereby repealed and this resolution shall be effective immediately upon its adoption.

Section 5. After the adoption of this resolution the Secretary is hereby authorized and directed to immediately file an authenticated copy thereof with the Clerk of the County Court of Fayette County, West Virginia.

Adopted June 18, 1956

CR Stahl  
Chairman

Attest:

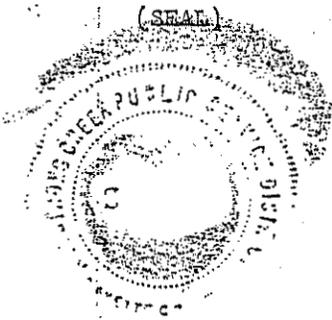
Glen D. Hesterman  
Secretary

STATE OF WEST VIRGINIA }  
COUNTY OF FAYETTE } SS

I, Glenn G. Hartman, the duly qualified and acting Secretary of the Public Service Board of Armstrong Creek Public Service District, Fayette County, West Virginia, do hereby certify that the foregoing is a true and correct copy of the minutes of a meeting of said Public Service Board held on the 18 day of June, 1956, and of a resolution adopted at such meeting changing the official name and corporate title of the District as said minutes and resolution are officially of record in my possession.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and the seal of said District this 18th day of June, 1956.

*Glenn G. Hartman*  
Secretary

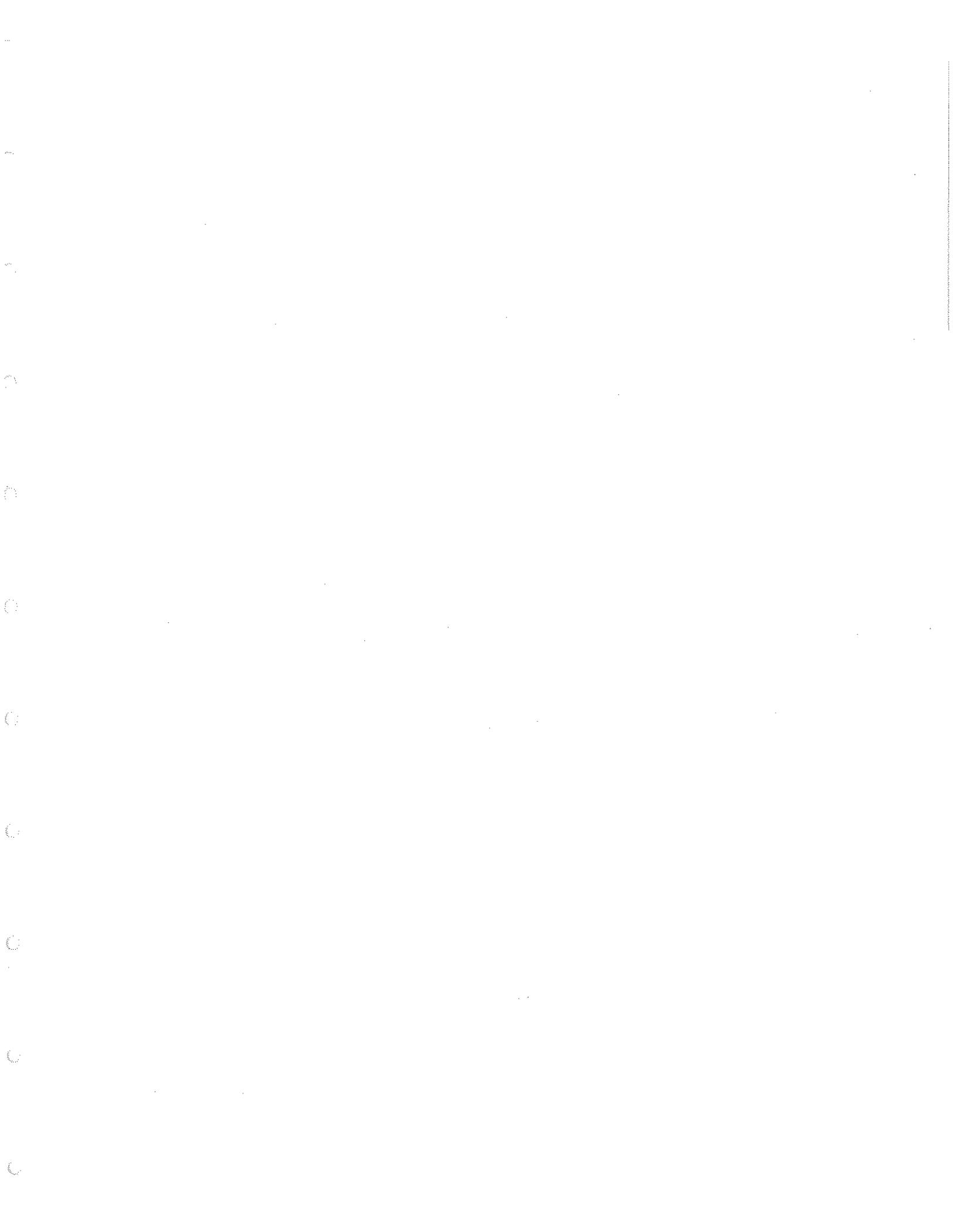


NEW:mp

West Virginia, County of Fayette:  
I, H. E. JANNEY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix my seal of said Commission this the 17 day of MAY, 1956.

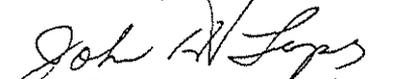
H. E. JANNEY, Clerk  
By *Frank L. ...*, Deputy

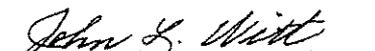


FAYETTE COUNTY COMMISSION

On this the 15th day of April, 1999, it appearing to the Commission that the term of office of Mr. Thomas Bowen as a Commissioner of the Board of Commissioners of the Armstrong Public Service District did expire on April 1, 1999, and that it is necessary and advisable that said position be filled immediately and it further appearing that his reappointment is recommended by the Board of said Armstrong Public Service District it is hereby ordered that Mr. Thomas Bowen be and he is hereby reappointed as a Commissioner of the Board of Commissioners of the Armstrong Public Service District as and of April 1, 1999, to serve for and during a period of six years, said term expiring April 1, 2005.

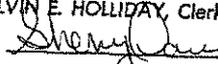
  
Gene Carte, Jr., President

  
John H. Lopez, Commissioner

  
John L. Witt, Commissioner

West Virginia, County of Fayette:  
KELVIN E. HOLLIDAY, Clerk of the County Commission of  
Fayette County, West Virginia, hereby certify that the fore-  
going is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix  
the seal of said Commission this the \_\_\_ day of \_\_\_, 19 **NOV 16 2001**

KELVIN E. HOLLIDAY, Clerk  
By  Deputy

FAYETTE COUNTY COMMISSION

On this the 30th day of April, 1997, it appearing to the Commission that the term of office of Mr. Charles Walker as a Commissioner of the Board of Commissioners of the Armstrong Public Service District did expire on April 1, 1997, and that it is necessary and advisable that said position be filled immediately and it further appearing that his reappointment is recommended by the Board of said Armstrong Public Service District it is hereby ordered that Mr. Charles Walker be and he is hereby reappointed as a Commissioner of the Board of Commissioners of the Armstrong Public Service District as and of April 1, 1997, to serve for and during a period of six years, said term expiring April 1, 2003.

*John L. Witt*  
John L. Witt, President

*Gene Carter*  
Gene Carter, Jr., Commissioner

West Virginia, County of Fayette:  
I, KELVIN E. HOLLIDAY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix the seal of said Commission this the NOV 19 6 2001 day of NOV, 196, 2001

KELVIN E. HOLLIDAY, Clerk  
By *Sherry Lewis*, Deputy

FAYETTE COUNTY COMMISSION

On this the 3rd day of June, 1998, it appearing to the Commission that the term of office of Mr. Judson Wallace as a Commissioner of the Board of Commissioners of the Armstrong Public Service District did expire on April 1, 1998, and that it is necessary and advisable that said position be filled immediately and it further appearing that his reappointment is recommended by the Board of said Armstrong Public Service District it is hereby ordered that Mr. Judson Wallace be and he is hereby reappointed as a Commissioner of the Board of Commissioners of the Armstrong Public Service District as and of April 1, 1998, to serve for and during a period of six years, said term expiring April 1, 2004.

*John L. Witt*  
John L. Witt, President

*John H. Lopez*  
John H. Lopez, Commissioner

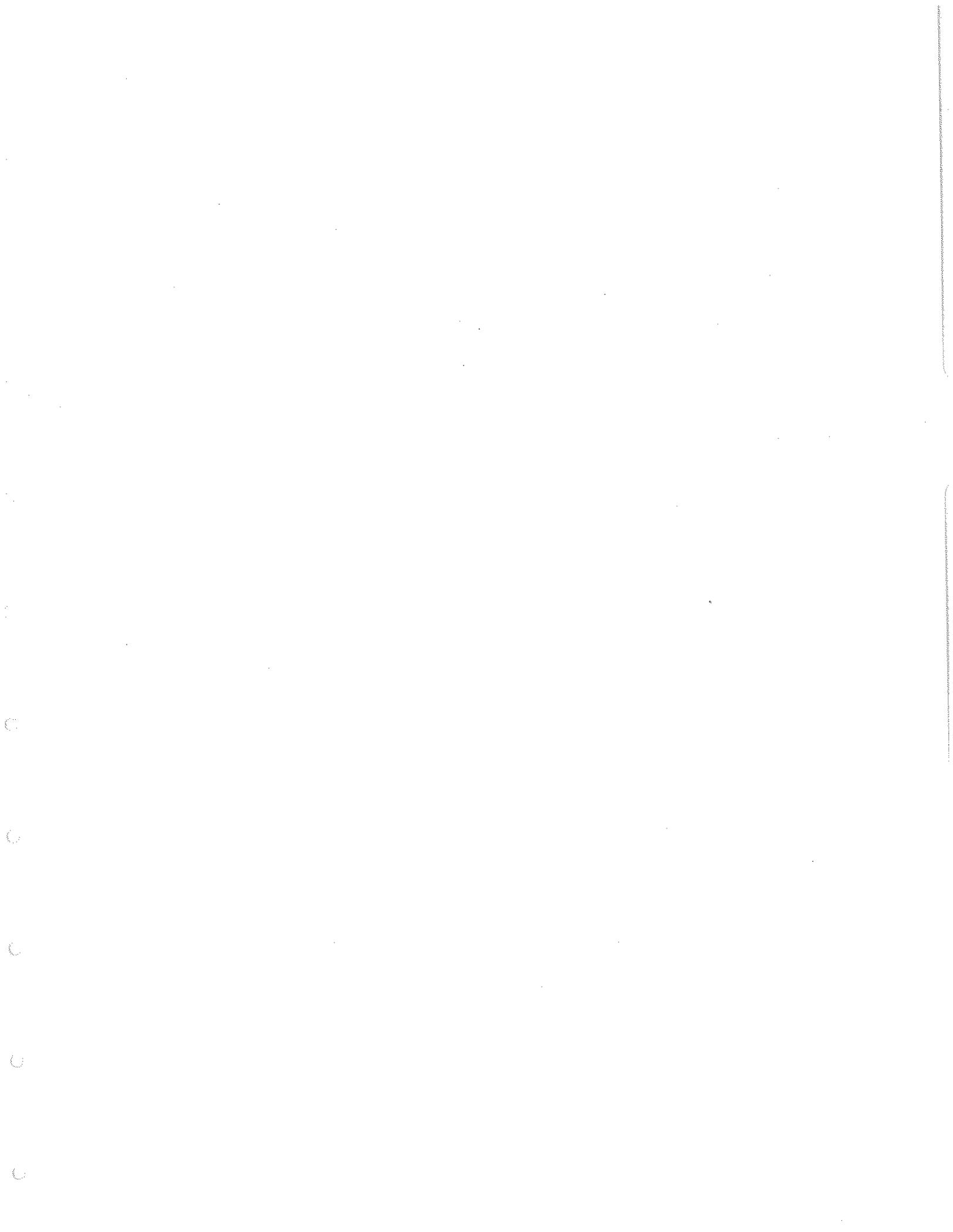
*Gene Carter, Jr.*  
Gene Carter, Jr., Commissioner

West Virginia, County of Fayette:  
I, KELVIN E. HOLLIDAY, Clerk of the County Commission of Fayette County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix the seal of said Commission this the NOV day of 16 2001

KELVIN E. HOLLIDAY, Clerk

By *Sherry Jones*, Deputy



# OFFICIAL OATH

STATE OF WEST VIRGINIA,

COUNTY OF FAYETTE, ss:

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 Commissioner, Armstrong Public Service District,

Fayette County, West Virginia, for the six-year term  
expiring April 1, 2005,  
in said county and state to the best of my skill and judgment: SO HELP ME GOD.

Thomas Bowen  
Thomas Bowen

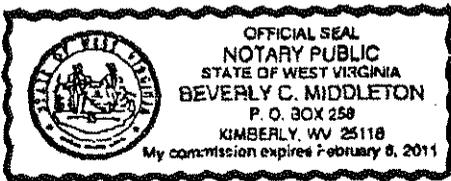
Subscribed and sworn to before me in my said county and state this the

16

day of

Nov.

19 2001



B. C. Middleton  
-Deputy County Clerk  
Beverly Middleton  
Notary Public

# OFFICIAL OATH

STATE OF WEST VIRGINIA,

COUNTY OF FAYETTE, ss:

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 Commissioner, Armstrong Public Service District, Fayette Co., West Virginia, for the six-year term expiring April 1, 2003.

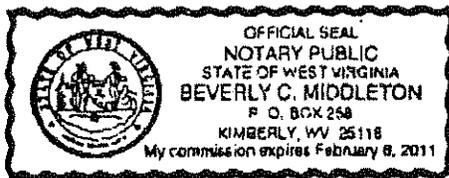
in said county and state to the best of my skill and judgment: SO HELP ME GOD.

*Charles Walker*

Charles Walker

Subscribed and sworn to before me in my said county and state this the

16 day of Nov., 19 2001



*Beverly Middleton*

Deputy County Clerk

Beverly Middleton  
Notary Public

# OFFICIAL OATH

STATE OF WEST VIRGINIA,

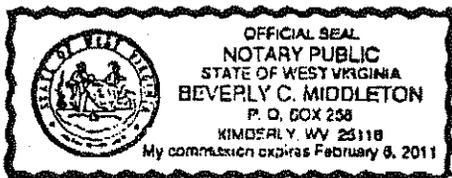
COUNTY OF FAYETTE, ss:

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 Commissioner, Armstrong Public Service District, Fayette Co., West Virginia, for the six-year term expiring April 1, 2004 in said county and state to the best of my skill and judgment: SO HELP ME GOD.

Judson Wallace  
Judson Wallace

Subscribed and sworn to before me in my said county and state this the

16 day of Nov., 19 2001



Beverly C. Middleton  
Deputy County Clerk

Beverly Middleton  
Notary Public



RULES OF PROCEDURE

ARMSTRONG PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: ARMSTRONG PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Armstrong Creek Road, Kimberly, Fayette County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Armstrong 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 Fayette 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 Wednesday 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 Fayette 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 Fayette 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

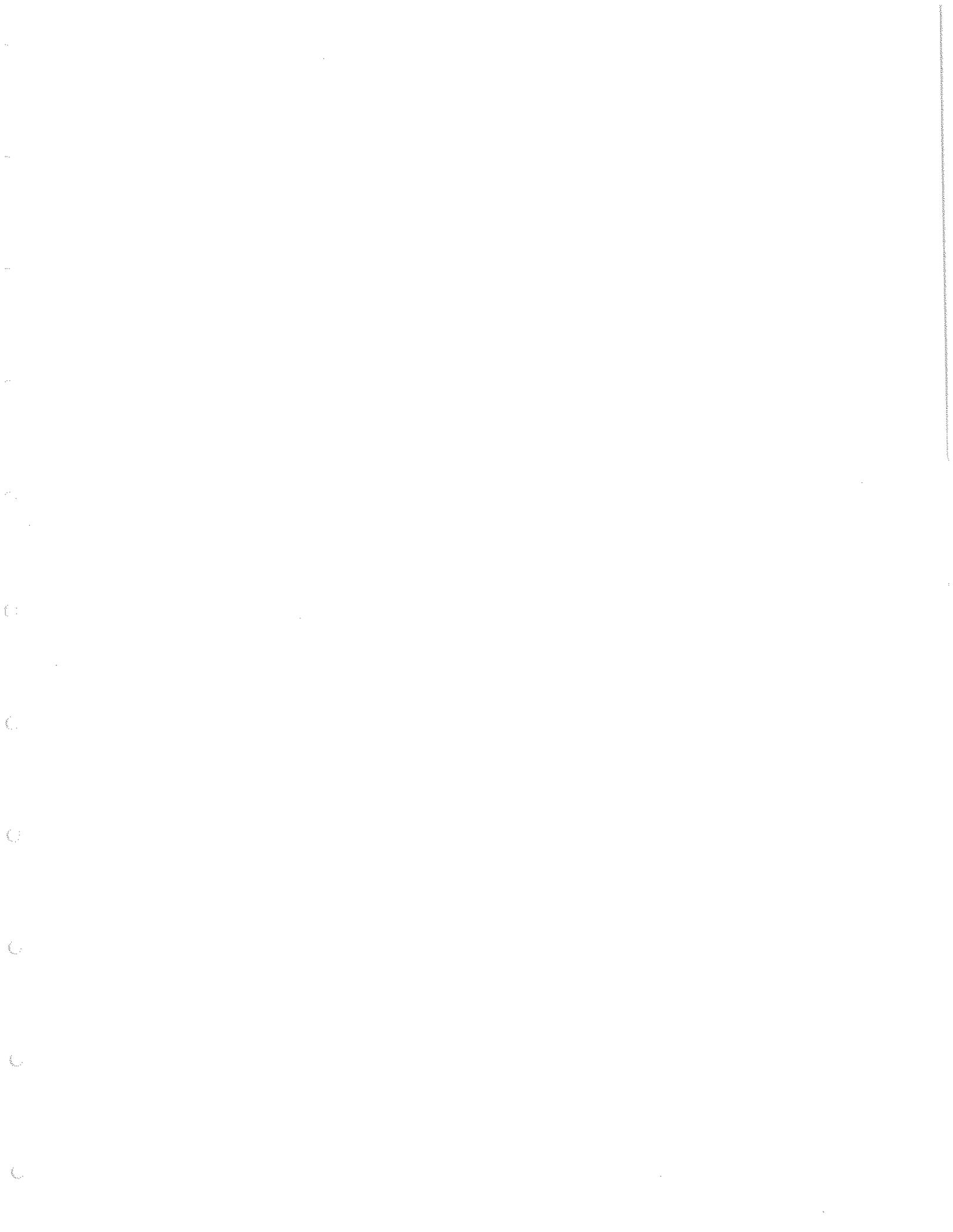
### AMENDMENTS TO RULES OF PROCEDURE

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, 2001.

12/11/01  
028360/99001



The regular business meeting of the Armstrong Public Service District was held on Wednesday, January 16, 2002, 10:00 a.m.

District personnel present were: Thomas Bowen, Charles Walker, Beverly Middleton, and Robin Mitchell.

Public present were: Skip Jackson, Chapman Technical  
Jack Lovell, Rural Development

Charles Walker made a motion for Thomas Bowen to remain as Chairman  
Beverly Middleton, Secretary  
Robin Mitchell, Treasurer

Seconded by Judson Wallace by telephone. All three in agreement.

Secretary's report was read and approved as read with a motion by Charles Walker and seconded by Thomas Bowen. Both in agreement.

Financial report was read and approved as read with a motion by Charles Walker and seconded by Thomas Bowen. Both in agreement.

Discussion was made on employees making long distance phone calls. Charles Walker made a motion for the employees that makes a long distance call reimburse the district. Seconded by Thomas Bowen. Both in agreement.

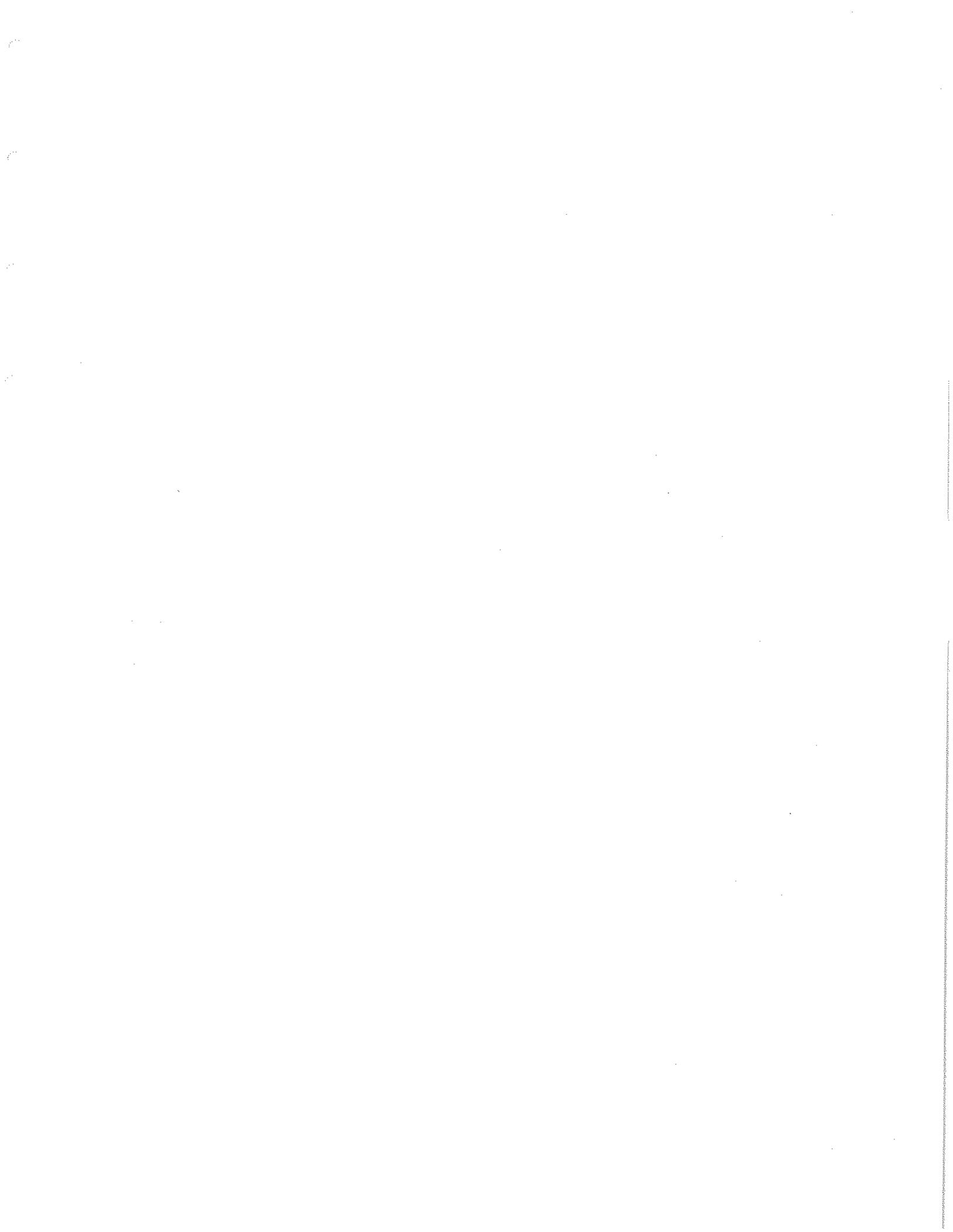
Discussion was made on a letter the district received from the Health Department concerning what is needed at the water plant. We have 45-days to answer letter.

Charles Walker made a motion to purchase a set of Chlorine scales and a chlorine leak detector. Seconded by Thomas Bowen. Both in agreement.

Charles Walker made a motion to adjourn meeting at 10:45 a.m. seconded by Thomas Bowen. Both in agreement.

Thomas Bowen  
Thomas Bowen, Chairman

Beverly Middleton  
Beverly Middleton, Secretary





ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BONDS, SERIES 2002 A

MINUTES ON ADOPTION OF BOND RESOLUTION

The undersigned duly appointed Secretary of the Armstrong Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of said District:

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The Public Service Board of the Armstrong Public Service District met in special session, pursuant to notice duly posted, on the 5th day of December, 2002, in Kimberly, West Virginia, at the hour of 3:30 p.m.

PRESENT:	Thomas Bowen	-	Chairman
	Charles Walker	-	Member
	Beverley Middleton	-	Secretary
	Robin Mitchell	-	Treasurer

ABSENT: None

Thomas Bowen, Chairman, presided, and Beverly Middleton, 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.

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

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BOND, SERIES 1985, OF ARMSTRONG PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$900,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH

BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

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

CERTIFICATION

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

WITNESS my signature on this 23rd day of December, 2002.

  
Secretary

12/17/02  
028360.00001

# AFFIDAVIT OF PUBLICATION

## BECKLEY NEWSPAPERS INC.

### BECKLEY, WEST VIRGINIA 25801

November 25, 2002

STATE OF WEST VIRGINIA  
 COUNTY OF FAYETTE, to wit:

I, Martha Simmons, being duly sworn upon my oath, do depose and say that I Legal Clerk for Beckley Newspapers, Inc., a corporation, publisher of the newspaper entitled The Fayette Tribune, a Republican newspaper; that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published twice-weekly for at least fifty weeks during the calendar year, in the municipality of Oak Hill, Fayette County, West Virginia; that such newspaper is a newspaper of "general circulation" as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price of consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements and other notices; that the annexed notice

of NOTICE OF PUBLIC HEARING  
 (Description of notice)

was duly published in said newspaper once a week for one successive

weeks (Class I), commencing with the issue of the 25th day of

November, 2002, and ending with the issue

of the 25th day of November, 2002, (and was posted at the

Fayette County Courthouse

on the 25th day of November, 2002); that said annexed

notice was published on the following dates: \_\_\_\_\_

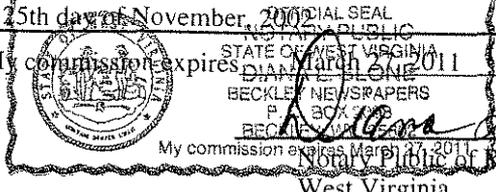
11/25/02 and that the

cost of publishing said annexed notice as aforesaid was \$ 40.22

Signed Martha Simmons  
 Martha Simmons  
 Legal Clerk  
 Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this:

25th day of November, 2002

My commission expires March 26, 2011  
  
Diana K. Slone  
 Notary Public of Raleigh County,  
 West Virginia

### COPY OF PUBLICATION

**000 LEGAL ADVERTISEMENTS**

**NOTICE OF PUBLIC HEARING OF THE PUBLIC SERVICE BOARD OF ARMSTRONG PUBLIC SERVICE DISTRICT TO ADOPT BOND RESOLUTION**

A special meeting of the Public Service Board of the Armstrong Public Service District (the "PSD") will be held to consider and adopt the following entitled Resolution, and to take such other action as necessary in relation thereto, on Thursday, December 5, 2002, at 3:30 p.m., prevailing time, at the District's offices in Kimberly, Fayette County, West Virginia, and at such meeting the Board shall consider and adopt such Resolution entitled:

**A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1985, OF ARMSTRONG PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REVENUE BONDS, SERIES 2002 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$900,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.**

The above-quoted title of the Resolution describes generally the contents thereof and the purposes of the Bonds contemplated thereby. The proceeds of the Bonds will be used to provide permanent financing of a portion of the costs of refunding of the Sewer Revenue Bonds, Series 1985 A of the District and paying costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the sewerage system of the District.

At the Regular Meeting the Board intends to adopt the Resolution and take such other actions as may be necessary in furtherance of the Project and the financing contemplated by the Resolution. Such meeting is open to the public.

Dated: November 25, 2002.

/s/ Judson Wallace  
 Secretary

11-25-MQW-1-FT;  
 LG 541



ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BONDS, SERIES 2002 A

MINUTES ON ADOPTION OF SUPPLEMENTAL RESOLUTION

The undersigned duly appointed Secretary of the Armstrong Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of said District:

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The Public Service Board of the Armstrong Public Service District met in special session, pursuant to notice duly posted, on the 12th day of December, 2002, in Kimberly, West Virginia, at the hour of 4:00 p.m.

PRESENT:	Thomas Bowen	-	Chairman
	Charles Walker	-	Member
	Judson Wallace	-	Member
	Beverly Middleton	-	Secretary
	Robin Mitchell	-	Treasurer

ABSENT: None

Thomas Bowen, Chairman, presided, and Beverly Middleton, 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.

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

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF ARMSTRONG PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT,

A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

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

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

CERTIFICATION

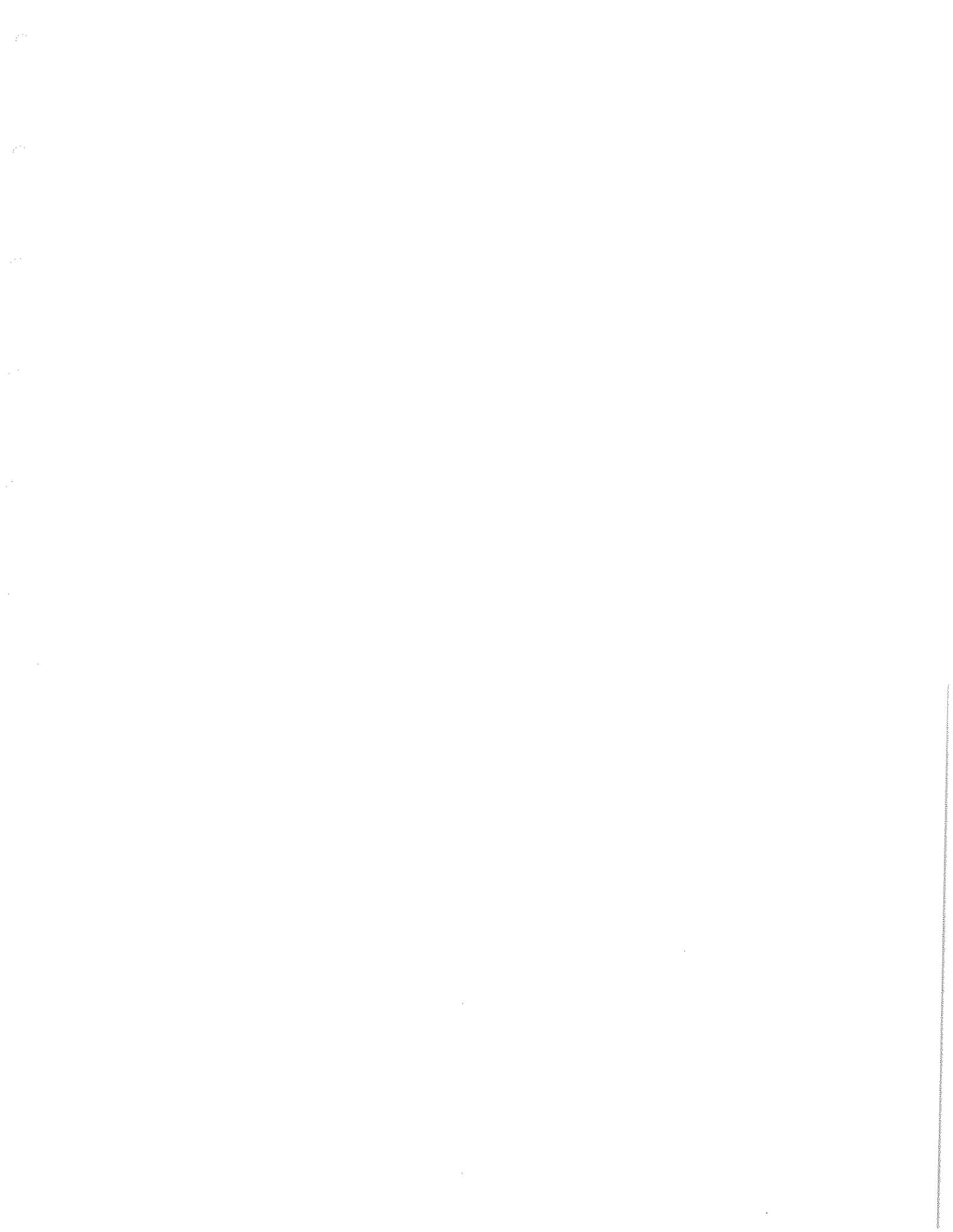
I hereby certify that the foregoing action of the Armstrong Public Service District remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 23rd day of December, 2002.

  
Secretary

12/17/02  
028360.00001

CH569537.1



December 23, 2002

**Armstrong Public Service District**  
**Sewer Refunding Revenue Bonds, Series 2002 A**

Armstrong Public Service District  
Kimberly, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Armstrong Public Service District (West Virginia) (the "Issuer") of its \$785,000 in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on December 5, 2002, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 12, 2002 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated December 1, 2002, upon original issuance, mature on April 1 in years and amounts and bear interest payable each April 1 and October 1, commencing April 1, 2003, as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2008	\$125,000	4.000%
2013	140,000	4.700
2018	180,000	5.100
2022	180,000	5.500
2025	160,000	5.600

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Resolution.

The Resolution provides that the issue is for the purposes of paying a portion of the costs necessary to (i) current refund all of the Issuer's outstanding Sewer Revenue Bond, Series 1985, dated March 26, 1985, issued in the original aggregate principal amount of \$778,000, of which \$716,441.41 is presently outstanding (the "Series 1985 Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated December 12, 2002, and accepted by the Issuer (the "Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Purchaser and other entities contained in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Certificate and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer, the Purchaser and other entities pertaining to tax matters set forth in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Certificate and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Continuing Disclosure Certificate and the Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure Certificate and has issued and delivered the Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement and the Continuing Disclosure Certificate constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

4. Under the laws, regulations, published rulings and judicial decisions of the United States of America existing on the date hereof, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution, and the Tax and Non-Arbitrage Certificate. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in paragraph 5.

5. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2002. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

7. The Series 1985 Bonds have been paid within the meaning and with the effect expressed in the 1985 Resolution and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1985 Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the United States Department of Agriculture, Rural Utilities Service, relating to the receipt of the monies to provide for the payment on December 23, 2002 of the principal of and all interest accrued on the Series 1985 Bonds.

8. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

9. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, all in accordance with the terms of the Bonds and the Resolution.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Resolution, the Continuing Disclosure Certificate and the Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

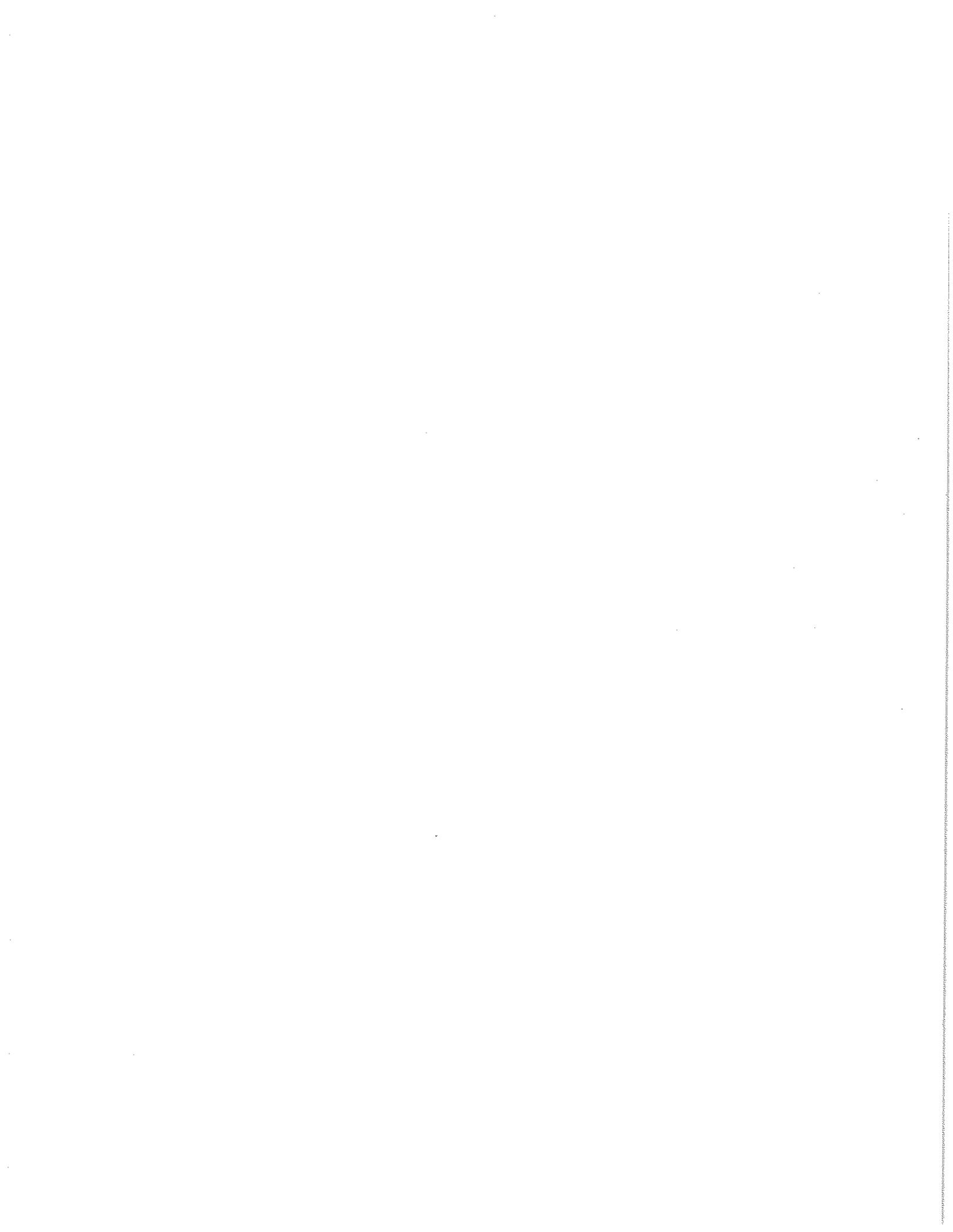
We have examined the executed and authenticated Bond Nos. AR-1 and AR-5 of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,



STEPTOE & JOHNSON PLLC





December 23, 2002

\$785,000  
Armstrong Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Armstrong Public Service District  
Kimberly, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by Armstrong Public Service District (the "District") of its \$785,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2002 A (the "Series 2002 A Bonds"). In our capacity as bond counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2002 A Bonds and the exclusion of interest on the Series 2002 A Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated December 12, 2002, between the District and Crews & Associates, Inc. (the "Underwriter"), and approved by the District.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement, the Tax and Non-Arbitrage Certificate, the Continuing Disclosure Certificate, the Preliminary Official Statement and the Official Statement have been executed, acknowledged and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, are legal, valid and binding agreements of the District enforceable in accordance with their respective terms (except as enforcement of remedies may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the rights of creditors).

Armstrong Public Service District

Page 2

(2) The District, under the Act, has full power and authority to adopt the Resolution, enter into the Continuing Disclosure Certificate and the Purchase Agreement and perform its obligations thereunder.

(3) The District has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the District, and the District has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 2002 A Bonds.

(4) The statements contained in the Official Statement under the captions "Introduction," "The Series 2002 A Bonds," "Security for the Series 2002 A Bonds," "Summary of Certain Provisions of the Resolution," "Tax Matters," and "Appendix C - Form of Opinion of Bond Counsel" (except for financial or statistical data therein as to which no opinion is hereby expressed) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

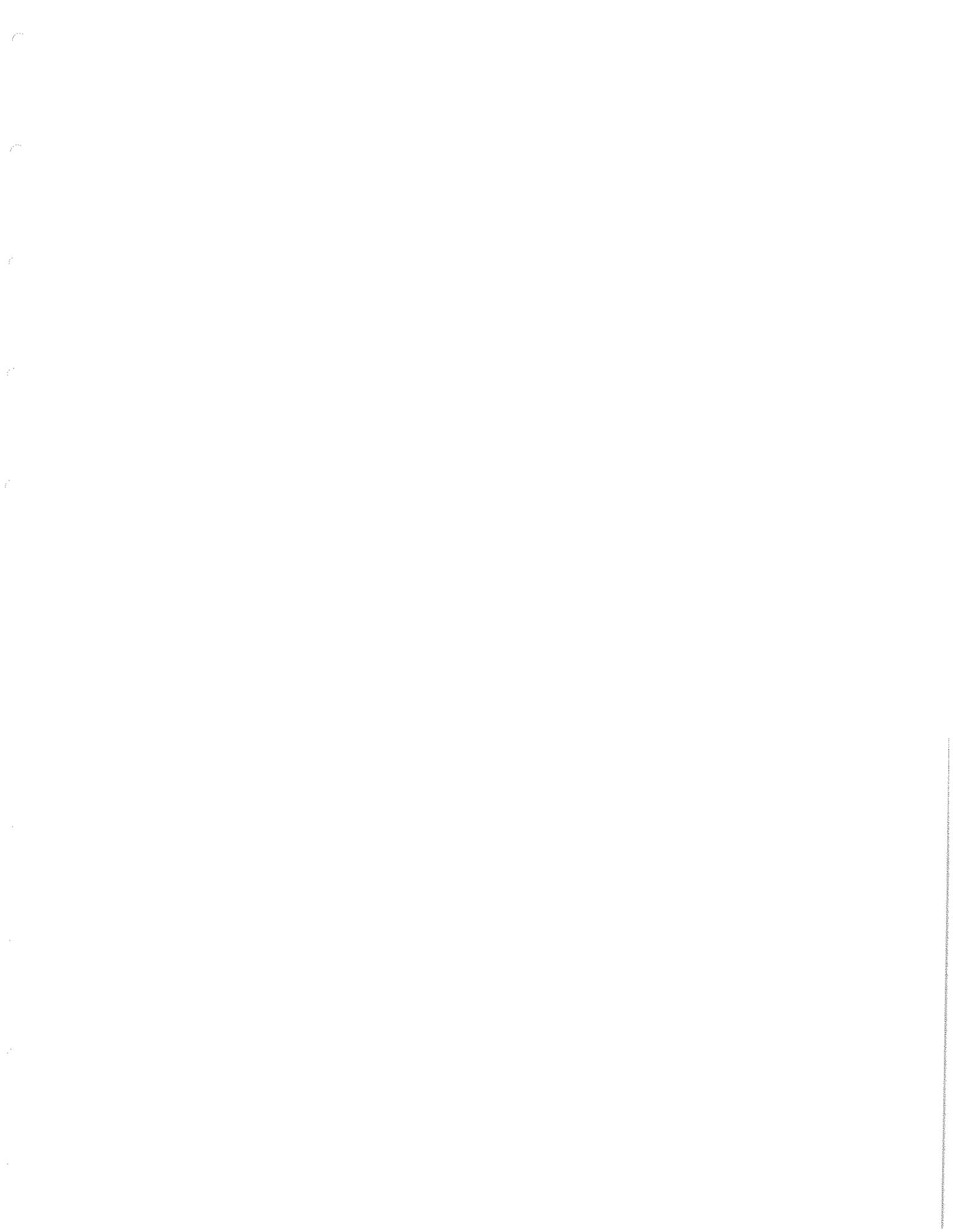
(5) The Series 2002 A Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

  
STEPTOE & JOHNSON PLLC

12/17/02  
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December 23, 2002

\$785,000  
Armstrong Public Service District

Sewer Refunding Revenue Bonds, Series 2002 A

Armstrong Public Service District  
Kimberly, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel with respect to the above-referenced bonds (the "Series 2002 A Bonds"). The initial public offering price of the Series 2002 A Bonds maturing on April 1, in each of the following years, 2018, 2022, and 2025 (the "Discount Bonds"), is less than that amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which the Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). We are of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Very truly yours,

  
STEPTOE & JOHNSON PLLC

12/17/02  
028360.00001

CH569545.1

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December 23, 2002

\$785,000  
Armstrong Public Service District

Sewer Refunding Revenue Bonds, Series 2002 A

Armstrong Public Service District  
Kimberly, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel with respect to the above-referenced bonds (the "Series 2002 A Bonds"). The initial public offering price of the Series 2002 A Bonds maturing on April 1, in each of the following years, 2018, 2022, and 2025 (the "Discount Bonds"), is less than that amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which the Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). We are of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Very truly yours,



STEPTOE & JOHNSON PLLC

12/17/02  
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**14B**





LAW OFFICES

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(304) 485-2345

December 23, 2002

Crews & Associates, Inc.  
Charleston, West Virginia

Re: \$785,000 Armstrong Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Gentlemen:

We have acted as your counsel in connection with your purchase of the above-captioned bonds (the "Bonds") pursuant to a Bond Purchase Agreement dated December 12, 2002 (the "Agreement"), between the Armstrong Public Service District (the "Issuer") and you. Capitalized terms used and not otherwise defined herein have the respective meanings assigned to them in the Agreement.

We are of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and based upon our participation in the preparation of the Official Statement as counsel for the Underwriter and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, we have no reason to believe that as of the date of the Closing the Official Statement, as of its date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for the statements in the Official Statement with respect to The Depository Trust Company and Bonds being available in book-entry form only and except for information concerning the financial statements and other financial and statistical data included therein, as to which we express no view) or that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Respectfully submitted,

*Goodwin & Goodwin LLP*  
GOODWIN & GOODWIN, LLP



HAMILTON, BURGESS, YOUNG & POLLARD, *pllc*

*A Professional Limited Liability Company  
Engaged in the Practice of Law*

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Fayetteville, West Virginia 25840

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PAT R. HAMILTON  
*Retired*

P.O. Box 959  
Fax 304 574-3709

KEVIN B. BURGESS  
RALPH C. YOUNG  
LYNN B. POLLARD  
GREG A. HEWITT  
ANTHONY M. SALVATORE\*  
\*ALSO ADMITTED IN GEORGIA

December 23, 2002

\$785.00  
Armstrong Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Armstrong Public Service District  
P.O. Box 156  
Kimberly, West Virginia 25118

Mr. Barry Cunningham  
Crews & Associates, Inc.  
930 One Valley Square  
Charleston, West Virginia 25301

Mr. John Stump  
Steptoe & Johnson PLLC  
P.O. Box 1588  
Charleston, West Virginia 25326-1588

Ladies and Gentlemen:

We have acted as counsel for Armstrong Public Service District (the "District") and have acted as such in connection with the sale of the above-referenced Series 2002 A Bonds, which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of December 12, 2002 (the "Purchase Agreement") between Crews & Associates, Inc. (the "Underwriter") and the District. Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, we have reviewed and examined certain proceedings and documents with respect to the Series 2002 A Bonds, any such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, the Constitution and the laws of the State of West Virginia, specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), the Resolution of the District relating to the Series 2002 A Bonds adopted on December 5, 2002, as supplemented and amended by a resolution adopted December 12, 2002 (collectively, the "Resolution"), the Continuing Disclosure Certificate (the "Undertaking"), the

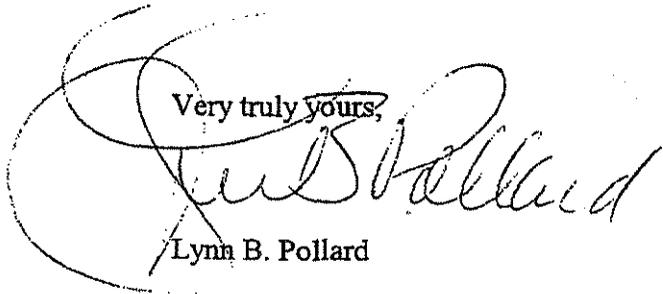
Purchase Agreement, the Preliminary Official Statement dated December 9, 2002 and the Official Statement dated December 12, 2002, with respect to the issuance and offering of the Series 2002 A Bonds (collectively, the "Official Statement"), and a closing certificate of the District. Based on such review and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

1. The District is a body corporate and politic, constituting a governmental agency of the State and existing under the provisions of the Act, pursuant to which the Issuer has full legal right, power and authority to enter into the Resolution, the Undertaking and Purchase Agreement (the "Bond Documents") and each constitutes the legal, valid and binding agreement of the Issuer enforceable in accordance with its respective terms (subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and to general principles of equity), and compliance with the provisions of each thereof will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or any court order or decree or any agreement, contract or other instrument, to which the Issuer is party or other wise subject or bound.
2. The District has full power and authority to consummate all transactions contemplated by the Series 2002 A Bonds, the Bond Documents and any and all other agreements relating thereto, to which the District is a party.
3. The District has duly authorized all action necessary to be taken by it or on its behalf of (i) the executions and delivery of the Bond Documents; (ii) the approval of the distribution of the Official Statement; (iii) the ratification of the actions of the District and the issuance and delivery of the series 2002 A Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.
4. To the best of our knowledge, no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to disclose therein in order to make the statements and information therein with respect to the Issuer not misleading in any material respect.
5. The Bond Documents have been duly and validly authorized, executed and delivered by the district and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

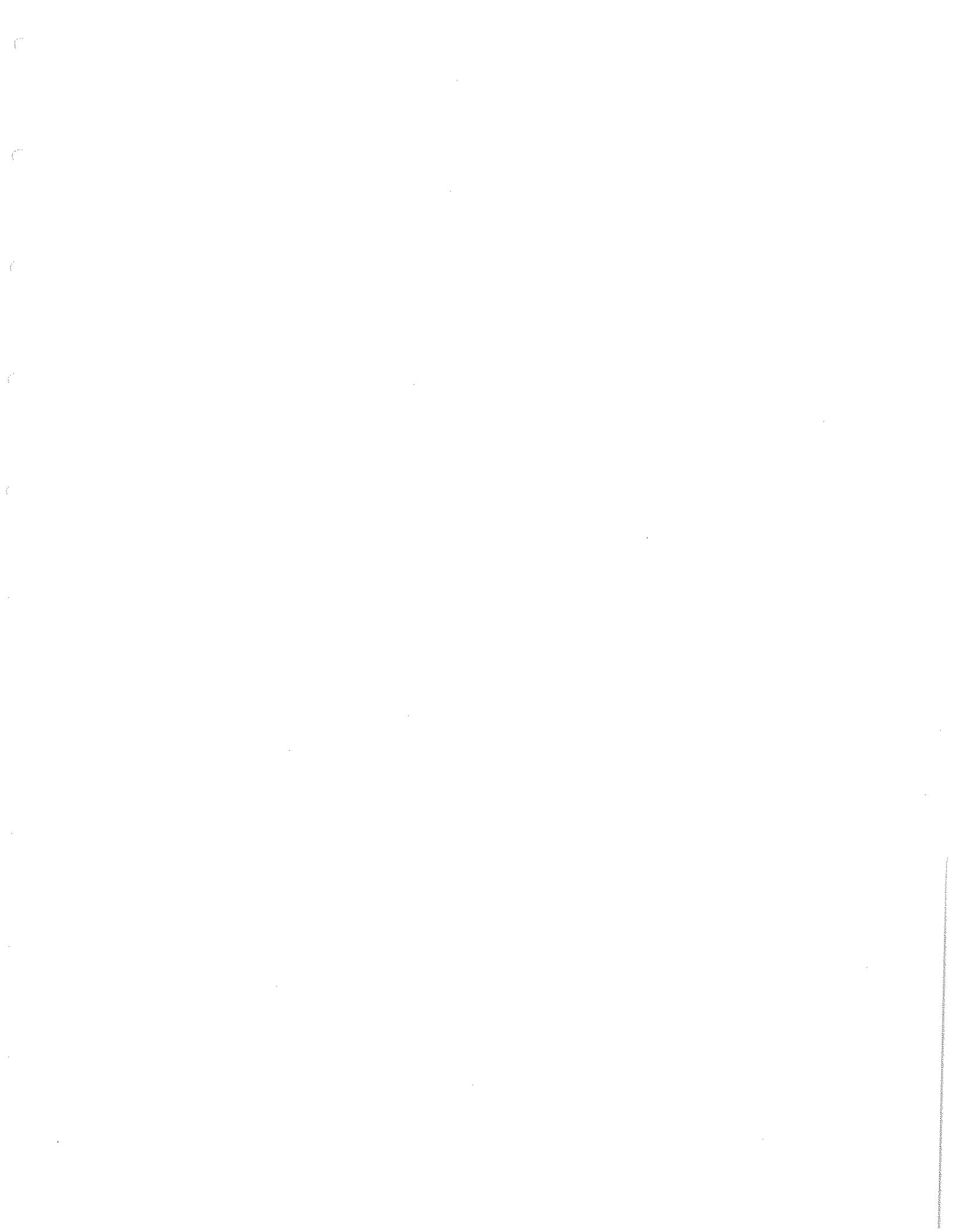
6. The Resolution has been duly adopted at meetings of the Board of the District which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Resolution.
7. The execution and delivery by the District of the Bond Documents and the performance of its obligation thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the District or, to the best of our knowledge after diligent inquiry and review of the District's records, any agreement or other instrument to which the District is a party or by which it or its properties are bound.
8. All actions necessary to be taken by the District have been taken, and no additional approval, authorization, consent or other order of the District or any public board or body is legally required to allow the District to enter into and perform its obligations under the Bond Documents or as described in the Official Statement.
9. The District is not in violation of any provisions of, or in default under, West Virginia statutes organizing and governing the District.
10. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorization from the Public Service Commission of West Virginia necessary for the issuance of the Bonds, the operation of the System and the implementation of rates and charges, 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 received the Commission Order entered November 19, 2002, as amended by Commission Corrective Order entered November 26, 2002, in Case No. 02-1692-PSD-PC, among other things, approving the refunding of the Series 1985 Bonds. The time to file an appeal of the decision expired prior to the date hereof without any appeal.
11. To the best of our knowledge, there is no litigation pending or threatened (a) to restrain or enjoin the issuance or delivery of any of the Series 2002 A Bonds or the collection of Revenues pledged under the Resolution, (b) in any way contesting the power or the authority of the Issuer for the issuance of the Series 2002 A Bonds or the validity of the bonds, the Bond Documents, (c) in any way contesting the existence or powers of the Issuer relating to the issuance of the Series 2002 A Bonds.

12. Based upon our experience as counsel for the District and on my review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement, and under the captions or subcaptions "Financing Plan," "Absence of Material Litigation," and "Continuing Disclosure; (as such information pertains to the Issuer) do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them. We hereby consent to the references made to us in the Official Statement.

Very truly yours,  
  
Lynn B. Pollard

LBP/tlj



\$785,000  
ARMSTRONG PUBLIC SERVICE DISTRICT  
Sewer Refunding Revenue Bonds, Series 2002 A

GENERAL CERTIFICATE OF ISSUER ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLIC SERVICE COMMISSION APPROVAL
5. AWARD OF BONDS; SIGNATURES
6. DELIVERY AND PAYMENT
7. CERTIFICATION OF DOCUMENTS
8. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
9. MEETINGS, ETC.
10. INCUMBENCY AND OFFICIAL NAME
11. RATES
12. DEFEASANCE OF THE SERIES 1985 BONDS
13. OFFICIAL STATEMENT CERTIFICATION
14. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT  
SECTION 7.2 (d); SUBSEQUENT EVENT
15. DESIGNATION OF REGISTRAR, PAYING AGENT AND  
DEPOSITORY BANK
16. IRS INFORMATION RETURN
17. SPECIMEN BONDS
18. RELIANCE
19. USE OF BOND PROCEEDS
20. COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of Armstrong Public Service District, Fayette County, West Virginia (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the \$785,000 aggregate principal amount of the Armstrong Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"), as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings set forth in the bond resolution of the Issuer duly adopted December 5, 2002, as supplemented by a supplemental resolution duly adopted December 12, 2002 (collectively, the "Bond Legislation"), and the Bond Purchase Agreement dated December 12, 2002 (the "Bond Purchase Agreement"), by and between the Issuer and the Underwriter.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Bonds, or the collection of the Net Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds, nor in any manner affecting the validity or enforceability of the Bonds, the Bond Legislation, the Continuing Disclosure Certificate or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Chairman, Secretary and the members of the public service board of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the issuance, sale and delivery of the Bonds or the refunding and payment of the Series 1985 Bonds which is not set forth in the Official Statement relating to the Bonds.

3. **GOVERNMENTAL APPROVALS:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for 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.

4. **PUBLIC SERVICE COMMISSION APPROVAL:** The Public Service Commission of West Virginia has approved the issuance of the Bonds for the purpose of refunding the Series 1985 Bonds by Commission Order entered November 19, 2002, as amended by Commission Corrective Order entered November 26, 2002, in Case No. 02-1692-PSD-PC. The time for appeal of the Final Order expired prior to the date hereof.

5. **AWARD OF BONDS; SIGNATURES:** The Bonds were awarded to Crews & Associates, Inc. (the "Underwriter"), upon a negotiated basis. The price of the Series 2002 A Bonds, pursuant to the Bond Purchase Agreement, shall be \$748,060.80 (par amount of \$785,000, less Underwriter's Discount of \$25,000, less original issue discount of \$11,939.20), plus interest accrued from the date of the Series 2002 A Bonds to the date of delivery of the Series 2002 A Bonds, expected to be on or about December 23, 2002. As of the date hereof, the Bonds were duly signed by the manual signature of the Chairman of the

Issuer, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed thereon and attested by the manual signature of the Secretary of the Issuer.

6. DELIVERY AND PAYMENT: The undersigned Chairman did, on the date hereof, deliver to the Underwriter, the entire issue of the Bonds, in various denominations and numbered AR-1 to AR-5, inclusive. At the time of delivery of the Bonds, there was paid to the Issuer (or others, on behalf of the Issuer) the agreed price therefor as follows:

Par Amount	\$ 785,000.00
Less: Underwriter's Discount	( 25,000.00)
Original Issue Discount	( 11,939.20)
Plus: Accrued Interest (December 1, 2002 to December 23, 2002)	<u>2,421.22</u>
Total	<u>\$ 750,482.02</u>

The Issuer has approved the wire transfer of \$72,914.94 from the Series 1985 Bonds Reserve Account, held by the Depository Bank for the Series 1985 Bonds, directly to the United States Department of Agriculture, Rural Utilities Service, the holder of the Series 1985 Bonds, to provide sufficient funds to defease the Series 1985 Bonds.

7. CERTIFICATION OF DOCUMENTS: There are delivered herewith true, correct and complete copies of the following documents, all of which remain in full force and effect and have not been amended, modified, supplemented, rescinded or repealed unless changed by the terms of other documents listed below:

Bond Resolution

Supplemental Resolution

Public Service Commission Orders

County Commission Orders Relating to Creation of District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

Continuing Disclosure Certificate

8. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer or the System of the Issuer since June 30, 2002. Upon defeasance of the Series 1985 Bonds on the date hereof, there is not any indebtedness or obligation of the Issuer outstanding and unpaid or for which full and irrevocable provision for payment has not been made which has priority over or ranks on a parity with the Bonds as to the sources of and security for payment.

9. **MEETINGS, 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 issuance of the Bonds and/or operation of the System, including without limitation the imposition of rates and charges, were authorized or adopted at meetings of the public service board of the Issuer duly and regularly called and held pursuant to the rules of procedure of the public service board of the Issuer and all applicable statutes, including without limitation Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the public service board was present and acting at all times during all such meetings. All notices required to be posted or published were duly posted and published.

10. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the Issuer is "Armstrong Public Service District" and its principal office and place of business are in Fayette County, West Virginia. The Issuer is a public service district, 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>
Thomas Bowen	04/01/99	04/01/05
Judson Wallace	04/01/98	04/01/04
Charles Walker	04/01/97	04/01/03

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	-	Thomas Bowen
Secretary	-	Beverly Middleton
Treasurer	-	Robin Mitchell

The duly appointed and acting Attorney for the Issuer is Hamilton, Burgess, Young & Pollard, PLLC of Fayetteville, West Virginia.

11. RATES: The rates and charges for the System, as approved by the Public Service Commission of West Virginia on August 22, 2002, in Case No. 02-0151-PSD-19A, are in full force and effect.

12. DEFEASANCE OF THE SERIES 1985 BONDS: The funds on deposit with the Depository Bank in the Series 1985 Reserve Account and a portion of the Series 2002 A Bond proceeds are sufficient to fully pay the entire outstanding principal of, the redemption premium, if any, and all interest accrued on the Series 1985 Bonds on December 23, 2002. As of the date of hereof, the Series 1985 Bonds have been prepaid and refunded and the liens and pledges securing the Series 1985 Bonds have been discharged and defeased, as acknowledged by a Receipt for Payment of Series 1985 Bonds of the United States Department of Agriculture, Rural Utilities Service.

13. OFFICIAL STATEMENT CERTIFICATION: At and since the date of the Official Statement nothing has come to the attention of any signer hereof which would lead any such signer to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

14. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 7.2(d); SUBSEQUENT EVENT: In addition to the foregoing, the undersigned hereby certify, as of the date hereof, that: (i) the representations and warranties made by the Issuer in the Bond Purchase Agreement are true and correct as of the Closing Date with the same effect as if made on the Closing Date; (ii) the Issuer has performed and complied with all agreements and conditions required by the Bond Purchase Agreement to be performed or

complied with by it at or prior to the Closing Date; (iii) since the respective dates as of which information is given in the Official Statement, and except as set forth therein, there has not been any material or adverse change in the Issuer's condition, financial or otherwise; (iv) the Official Statement, insofar as it relates to the Issuer, does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (v) that subsequent to June 30, 2002, the date of the Issuer's most recent audited financial statements included as Appendix B of the Official Statement, there has been no material adverse change in the financial position or results of operations of the Issuer; (vi) that no litigation is pending or, to the knowledge of the Issuer, threatened against the Issuer or its officers (A) to restrain or enjoin issuance or delivery of any of the Series 2002 A Bonds or the collection of Revenues pledged under the Resolution, (B) in any way contesting or affecting any authority for the issuance of the Series 2002 A Bonds, or the validity of the Series 2002 A Bonds or the Bond Purchase Agreement, the Undertaking, the Tax and Non-Arbitrage Certificate (the "Bond Documents"), (C) in any way contesting or affecting the existence or powers of the Issuer or its ability to perform its obligations under the Bond Documents, or (D) that may materially adversely affect the financial condition or operations of the Issuer; (vii) that the Issuer has satisfied all conditions pertaining to the issuance of the Bonds pursuant to the Resolution and all other applicable provisions; and (viii) that no event affecting the Issuer or the transactions contemplated by the Official Statement or the Bond Documents has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used, or which it is necessary to disclose therein in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading.

Any excess balance in the Series 1985 Debt Service Reserve Fund since the Bond Purchase Agreement and Official Statement date due to investment earnings posted by the Depository Bank, over the total required to pay the Series 1985 Bonds on the Redemption Date will be deposited in the Series 2002 A Bonds Sinking Fund.

15. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of United Bank, Inc., Charleston, West Virginia, as Registrar, the West Virginia Municipal Bond Commission as Paying Agent, and City National Bank, Montgomery, as Depository Bank.

16. IRS INFORMATION RETURN: On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Ogden, Utah. The information set forth in such Form 8038-G is true, correct and complete in all respects.

17. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimens of the Bonds.

18. RELIANCE: The undersigned acknowledge that it is intended that interest on the Bonds be exempt from federal income tax in the hands of the owners thereof, that the firm of Steptoe & Johnson PLLC is rendering opinions on the date hereof to said effect and with respect to other matters, and that, in rendering said opinions, said firm is relying, among other things, upon the statements made herein. Said firm is entitled to rely upon such statements.

19. USE OF BOND PROCEEDS: The proceeds of the Series 2002 A Bonds not used to currently refund the Series 1985 Bonds, fund a reserve account for the Series 2002 A Bonds and to pay costs of issuance of the Series 2002 A Bonds and other costs in connection with such refunding shall be deposited in the Series 2002 A Bonds Sinking Fund.

20. COUNTERPARTS: This Certificate may be executed in counterparts, and all counterparts shall be deemed to be the Certificate.



WITNESS our signatures and the official corporate seal of the ARMSTRONG PUBLIC SERVICE DISTRICT on this 23rd day of December, 2002.

[CORPORATE SEAL]

Signature

Official Title

\_\_\_\_\_

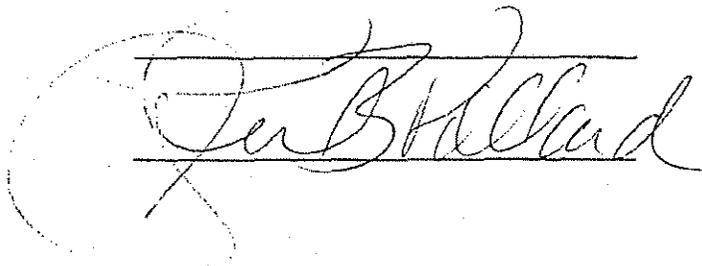
Chairman

\_\_\_\_\_

Secretary

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Attorney

A handwritten signature in cursive script, appearing to read "J. B. Halland", is written over three horizontal lines. The signature is written in dark ink and is somewhat stylized.

12/16/02  
028360.00001



\$785,000

ARMSTRONG PUBLIC SERVICE DISTRICT

Sewer Refunding Revenue Bonds, Series 2002 A

TAX AND NON-ARBITRAGE CERTIFICATE

The undersigned, Chairman of Armstrong Public Service District (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of the \$785,000 Sewer Refunding Revenue Bonds, Series 2002 A, of the Issuer, dated December 1, 2002 (the "Bonds"), hereby certifies as follows, all capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution adopted by the Issuer on December 5, 2002, as supplemented (collectively, the "Resolution"), pursuant to which the Bonds are issued:

A. DEFINITIONS

The following words and phrases shall have the following meanings or such other meanings as may be required under the Code or the Regulations. Any capitalized word or term used herein but not defined herein shall have the meaning set forth in the Resolution.

**"Bona Fide Debt Service Fund"** shall mean a fund which may include proceeds of an issue, that:

- (a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and
- (b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:
  - (i) the earnings on the fund for the immediately preceding Bond Year; or
  - (ii) one-twelfth (1/12th) of the principal and interest payments on the Bonds for the immediately preceding Bond Year.

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

"**Bond Counsel**" means the law firm or firms delivering its or their approving opinion or opinions with the respect to the issuance of the Bonds and the exclusion of interest on the Bonds from gross income for the purposes of federal income taxation.

"**Bond Year**" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

"**Bond Yield**" means the yield of the Bonds, calculated in accordance with the provisions of Section 1.148-4 of the Regulations.

"**Code**" means the Internal Revenue Code of 1986, as amended, and all rulings and regulations promulgated thereunder.

"**Computation Date**" means each Installment Computation Date and the Final Computation Date.

"**Computation Date Credit**" means \$1,000.00. Only one Computation Date Credit for each Computation Date is permitted for the Bonds.

"**Costs of Issuance**" means all costs incurred in connection with the issuance of the Bonds within the meaning of Section 147(g) of the Code. Examples of costs of issuance include (but are not limited to):

- (a) underwriter's spread (whether realized directly or derived through purchase of the Bonds at a discount below the price at which a substantial number of Bonds are sold to the public);
- (b) counsel fees (including Bond Counsel, Underwriter's Counsel, Issuer's Counsel, Public Service Commission Counsel, and any other specialized counsel fees incurred in connection with the issuance of the Bonds);
- (c) trustee fees and registrar fees;
- (d) paying agent, disbursement agent, and certifying and authenticating agent fees related to issuance of the Bonds;

- (e) accountant fees related to issuance of the Bonds;
- (f) printing costs (for the Bonds and of preliminary and final offering materials); and
- (g) costs incurred in connection with any required public approval process (e.g., publication costs for public notices generally and costs of the public hearing or voter referendum).

"Date of Issue" means December 23, 2002.

"Discharged" means, with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due if cash is available at the place of payment and no interest accrues with respect to the Bond after such date.

"Fair Market Value" of an Investment means as follows:

(a) In General. Except as specifically otherwise provided below, the Fair Market Value of an Investment is the price at which a willing buyer would purchase the Investment from a willing seller in a bona fide arm's length transaction. The Fair Market Value of an Investment that is purchased directly from the United States Treasury is its purchase price.

(b) Safe Harbor for Establishing Fair Market Value for Guaranteed Investment Contracts and Investments Purchased for a Yield Restricted Defeasance Escrow. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

(i) The institution makes a bona fide solicitation for a specified guaranteed investment contract and reserves at least three (3) bona fide bonds from providers that have no material financial interest in the issue (e.g. as underwriters or brokers);

(ii) The institution purchases the highest yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees);

(iii) The yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed

investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;

(iv) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected draw down schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the governmental investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract.

(c) Safe Harbor for Establishing Fair Market Value for Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States; and (ii) the highest yield that is published or posted by the provider to be currently available on reasonably comparable certificates of deposit offered to the public.

"**Final Computation Date**" means the date on which the last Bond is Discharged.

"**Future Value**" means the amount determined by using the following formula:

$$FV = PV(1+i)^n$$

where:

FV = The future value of the nonpurpose receipt or payment at the end of the interval. Each interval ends on the last day of a compounding interval. The compounding interval is the same compounding interval used in computing the Bond Yield.

PV = The future value of the nonpurpose receipt or payment at the beginning of the interval, or the amount thereof if the computation is for the first interval.

The first interval begins on the date the nonpurpose receipt or payment is actually or constructively received or paid (or otherwise is taken into account). The amount of every nonpurpose receipt and payment with respect to an issue that is taken into account at the beginning of the first interval may be rounded to the nearest whole dollar. The preceding sentence shall not apply to receipts and payments with respect to investments in a restricted escrow within the meaning of Section 1.148-8(g) of the Regulations.

$i$  = The Bond Yield during the interval (expressed as a decimal) divided by the number of compounding intervals in a year.

$n$  = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

**"Gross Proceeds"** means Proceeds and Replacement Proceeds of the Bonds within the meaning of the Regulations.

**"Installment Computation Date"** means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

**"Investment"** means any security, obligation, annuity contract, or investment type property as defined in section 148(b) of the Code.

**"Investment Proceeds"** means any amounts actually or constructively received from investing Proceeds of an issue of bonds.

**"IRS"** means the Internal Revenue Service.

**"Issue Price"** means \$775,482.02 being the initial offering price to the public at which price a substantial amount of the Bonds is sold, and includes accrued interest on the Bonds. For this purpose, ten percent (10%) is a substantial amount, and the term "the public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price generally is the first price at which the Bonds are sold to the public, and the issue price will not change if part of the issue is subsequently sold at a different price. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of a bond issue for which a bona fide public offering is made is determined as of the sale date based on reasonable expectations regarding the initial public offering price. The Issue Price of the Bonds may not exceed their fair market value as of the sale date.

**"Net Sale Proceeds"** means Sale Proceeds less the amount of those Sale Proceeds invested in a reasonably required reserve or replacement fund under section 148(d) of the Code and as part of a minor portion under section 148(e) of the Code.

**"Nonpurpose Investment"** means any Investment that is not acquired to carry out the governmental purpose of an issue.

**"Payment"** means a payment as defined in section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a payment as defined in section 1.148-5(b) of the Regulations for purposes of computing the Yield on an Investment.

**"Present Value"** means the amount determined by using the following formula:

$$PV = \frac{FV}{(1+i)^n}$$

where i equals the discount rate divided by the number of compounding intervals in a year and n equals the sum of (i) the number of whole compounding intervals for the period ending on the date as of which the Future Value is determined and (ii) a fraction the numerator of which is the length of any short compounding interval during such period and the denominator of which is the length of a whole compounding interval.

**"Present Value of an Investment"** shall mean the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

**"Proceeds"** means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received that with respect to an Investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under section 1.148-2(d) of the Regulations or section 143(g) of the Code or to qualified administrative cost recoverable under section 1.148-5(e).

**"Rebate Amount"** means, in respect of the bonds, the amount determined pursuant to the Code and Regulations in accordance with section E(1) hereof. Generally, under the Regulations, the rebate amount, as of any date, equals the excess of the Future Value of all Receipts with respect to Nonpurpose Investments allocated to the Gross Proceeds of the Bonds over the Future Value of all the Payments with respect to such Nonpurpose Investments computed in accordance with the Regulations.

**"Rebate Analyst"** means the entity or person chosen by the Issuer in accordance with Section E(3) hereof to determine the Rebate Amounts.

**"Rebate Payment Date"** means the date following a Computation Date on which the Rebate Amount is mailed or otherwise filed with the IRS. The Rebate Payment Date cannot be a date which is more than 60 days after a Computation Date.

**"Receipt"** means a receipt as defined in section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a receipt as defined in section 1.148-5(b) of the Regulations for purposes of computing Yield on an Investment.

**"Regulation" or "Regulations"** means the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury that are applicable to the Bonds.

**"Replacement Proceeds"** means amounts that are treated as replacement proceeds of an issue of bonds under section 1.148-1(c) of the Regulations. Generally, amounts are Replacement Proceeds of an issue if the amounts have a sufficiently direct nexus to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement Proceeds include, but are not limited to, sinking funds or pledged funds to the extent that those funds are held by or derived from a substantial beneficiary of the issue (which, for this purpose includes the issuer and any related party to the issuer).

**"Sale Proceeds"** means amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter's discount and compensation and accrued interest other than pre-issuance accrued interest). Sale Proceeds also include, but are not limited to, amounts derived from the sale of a right that is associated with a Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

**"Series 2002 A Bonds"** means the Issuer's Sewer Refunding Revenue Bonds, Series 2002 A, dated December 1, 2002.

**"Tax-Exempt Bond"** means any tax-exempt bond within the meaning of section 103 of the Code and section 1.150-1 of the Regulations that is not investment property within the meaning of section 148(b)(3) of the Code.

**"Transferred Proceeds"** means Proceeds of a prior issue of bonds that have ceased to be allocated to that prior issue and are treated as Proceeds of a refunding issue under section 1.148-9 of the Regulations.

**"Transferred Proceeds of the Bonds"** means amounts that have ceased to be allocated to the Series 2002 A Bonds and are treated as Transferred Proceeds of the Bonds.

**"Underwriter"** means Crews & Associates, Inc., Charleston, West Virginia.

**"Universal Cap"** means the maximum value of Nonpurpose Investments which may be allocated to the Bonds under section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Bonds of the issue. For purposes of this determination Nonpurpose Investments include cash, Tax-Exempt Bonds (i.e., any tax-exempt bond that is not investment property under section 148(b)(3) of the Code), qualified mortgage loans, and qualified student loans.

**"Valuation Date"** means the date on which the value of the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder must be determined under section 1.148-6 of the Regulations. In general, beginning with the first Bond Year beginning after second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date. In addition, the Regulations provide with respect to a refunded issue (e.g., the Prior bonds) and a refunding issue (i.e., the Bonds) each date on which proceeds of the refunded issue would become transferred proceeds of the refunding issue, e.g., each date on which principal of the refunded issue is paid with proceeds of the refunding bonds, constitutes a Valuation Date.

**"Value of a Bond"** means the value of a bond determined under section 1.148-4(e) of the Regulations. Under those Regulations, value generally means:

(a) In the case of a plain par bond (within the meaning of section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and

(b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

**"Value of an Investment"** means the value of an investment determined under section 1.148-5(d) of the Regulations. Under those Regulations, value as of any date generally means, for any fixed rate investment (within the meaning of section 1.148-1(b) of the Regulations) or Yield Restricted Investment, Present Value on that date, and for any plain par investment (within the meaning of section 1.148-1(b) of the Regulations), the outstanding stated principal amount, plus accrued unpaid interest, as of that date.

"Yield" or "yield" means the yield computed under section 1.148-4 of the Regulations for the Bonds, and the yield computed under Section 1.148-5 of the Regulations for an Investment.

"Yield Restricted Investments" means any Investments which either (1) bear a yield that is no greater than the Bond Yield, or (2) are investments in one or more Tax-Exempt Bonds.

B. GENERAL

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the "Code"). I am an officer of the Issuer charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.

2. This certificate may be relied upon as the certificate of the Issuer.

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

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on December 23, 2002, the date on which the Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. The Issuer has covenanted in the Resolution that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

6. The Bonds were sold on December 12, 2002, to Crews & Associates, Inc. (the "Underwriter") for a purchase price of \$748,060.80 (par amount of \$785,000, less underwriter's discount of \$25,000, less original issue discount \$11,939.20) plus interest accrued thereon in the amount of \$2,421.22 (total of \$750,482.02).

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of providing monies, together with the monies transferred from the Series 1985 Bonds Reserve Account, necessary (i) to currently refund the Series 1985 Bonds on December 23, 2002; (ii) to fund a reserve account for the Bonds; and (iii) to pay costs of issuance of the Bonds and related costs.

8. [RESERVED]

9. The face amount of the Bonds is \$785,000. The sources and uses of proceeds of the Bonds and the monies transferred from the Series 1985 Bonds Reserve Account in connection with the refunding of the Series 1985 Bonds is as follows:

Sources

Par amount of Bonds	\$785,000.00
Accrued Interest (December 1, 2002, to December 23, 2002)	\$ 2,421.22
Transfer from Series 1985 Bonds Reserve Account	\$ 72,914.94
Less: Original Issue Discount	\$ (11,939.20)
Total Sources	<u>\$848,396.96</u>

10. The proceeds of sale of the Bonds, together with the monies transferred from the Series 1985 Bonds Reserve Account, will be applied as follows:

Uses of Funds

Refunding Series 1985 Bonds	\$716,441.41
Total Underwriter's Discount	\$ 25,000.00
Costs of Issuance	\$ 41,594.33
Deposit to Series 2002 A Debt Service Fund	\$ 2,421.22
Deposit to Series 2002 A Reserve Fund (DSRF)	<u>\$ 62,940.00</u>
 Total Uses	 <u>\$848,396.96</u>

11. The Underwriter has stated, in its certificate, a copy of which is attached as EXHIBIT A - UNDERWRITER'S CERTIFICATE hereto (the "Underwriter's Certificate") that the Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than the respective prices shown on the cover page of the Official Statement for the Bonds, including interest accrued on the Bonds from December 12002. The yield on the Bonds, as so computed, has been determined to be 5.4217621%, based on a "purchase price" equal to the Issue Price for the Bonds (including accrued interest thereon).

C. DEFEASANCE

1. Provision will be made for the payment of the Series 1985 Bonds by \$643,526.47 from the proceeds of the Series 2002 A Bonds and \$72,914.94 from the Series 1985 Bonds Reserve Account, which will provide funds sufficient to provide for the payment of the outstanding principal of and interest on, plus a redemption premium for, the Series 1985 Bonds as they become due on December 23, 2002, being the redemption date.

D. THE BONDS

- i. The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Bonds are detailed in the Bonds.
- ii. Using the initial offering price of the Bonds as the "purchase price" and taking into account accrued interest the yield on the Bonds is computed by the Underwriter to be 5.4217621% (the "Bond Yield").

- iii. A Sinking Fund for the Bonds is created under the Resolution. Monies deposited to the Sinking Fund (other than the Reserve Account therein), including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Bonds. The Bonds all bear interest at a fixed interest rate and the average maturity of the Bonds is in excess of 5 years. The Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Bonds within each Bond Year. All monies held in the Sinking Fund will be used to pay debt service on the Bonds. All Sale Proceeds of the Bonds deposited in the Sinking Fund will constitute accrued interest on the Bonds and will be applied to pay interest on the Bonds on the first interest payment date, being April 1, 2003. The Sinking Fund qualifies as a Bona Fide Debt Service Fund and all monies in the Sinking Fund will be invested without restriction as to yield and are not subject to rebate.
- iv. A Reserve Account within the Sinking Fund is created under the Resolution in an amount equal to the Maximum Annual Debt Service on the Bonds (the "Reserve Account Requirement"). The Reserve Account is being funded by monies from the Series 2002 A Bonds proceeds in the amount of \$62,940.00. The Reserve Account Requirement is equal to the maximum annual principal and interest requirements of the Bonds, is not in excess of 10% of the stated principal amount of the Bonds and is not in excess of 125% of the average annual principal and interest requirements of the Bonds. The monies in the Reserve Account will be invested without restriction as to yield. All earnings on amounts deposited in the Reserve Account will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate.
- v. A Renewal and Replacement Fund is created under the Resolution, to be funded through monthly deposits of Revenues in an amount equal to 2 1/2% of the Gross Revenues of the System. Absent an Event of Default on the Bonds, and depletion in full of the Reserve Account, the Renewal and Replacement Fund is not expected to be used for the purpose of paying Debt Service on the Bonds. Such monies will be invested without restriction as to yield and are not subject to rebate.
- vi. A Redemption Account is created under the Resolution. In the event monies are deposited into the Redemption Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

- vii. A Costs of Issuance Fund is created under the Resolution to be funded from proceeds of the Bonds in the amount of \$41,594.33, to pay costs of issuance of the Bonds. All such amounts shall be fully expended within 6 months from the date hereof. Pending such disbursement, such monies will be invested without restriction as to yield and are not subject to rebate.

Except for the proceeds of the Bonds designated for the Project, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

- viii. Other than the funds and accounts described above, there are no other funds or accounts of the Issuer which (i) are reasonably expected to be used to pay Debt Service on the Bonds or which are pledged as collateral to secure repayment of Debt Service on the Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Bonds.
- ix. Accrued interest with respect to the Bonds in an amount less than 6 month's interest on the Bonds will be applied within one year from the date hereof toward the payment of interest first due on the Bonds, as detailed in the Schedules. Pending such disbursement, such monies will be invested without restriction as to yield.

E. REBATE OF EXCESS ARBITRAGE

1. Rebate Fund; Calculation of Rebate Amount.

(a) Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Bond Yield, together with any income attributable to such excess. Except as provided below, and as previously set forth as excepted in Section D hereof, the Sinking Fund, the Reserve Account therein, the Costs of Issuance Fund and all other funds or accounts treated as containing Gross Proceeds are subject to this requirement.

(b) Pursuant to the Resolution, the Issuer has created the Rebate Fund to be held by the Depository Bank. On or before 45 days following each Computation Date, an amount shall be deposited into the Rebate Fund by the Issuer so that the balance held in the Rebate Fund shall equal the aggregate Rebate Amount due as of the Rebate Payment Date following such Computation Date. Monies so deposited shall be derived from the Issuer's own funds.

(c) To meet the rebate requirements of Section 148(f) of the Code, the Issuer (or the Rebate Analyst described in Section E(3) hereof) agrees and covenants to take the following actions:

(i) For each investment of (i) amounts held in the Reserve Account, (ii) Transferred Proceeds of the Bonds, and (iii) any other monies held by the Issuer which constitute Gross Proceeds, the Issuer shall record the purchase date of such investment, its purchase price, accrued interest due on its purchase date, its face amount, its coupon rate, the frequency of its interest payment, its disposition price, accrued interest due on its disposition date and its disposition date.

(ii) For each Installment Computation Date with respect to Rebate Amounts specified in paragraph (iii) below, the Issuer shall compute the Yield on the Bonds as required by the Code and Regulations. If the Bonds are redeemed prior to their scheduled maturity, the Issuer agrees to seek the advice of Bond Counsel or other rebate expert to recompute the Yield on the Bonds as required by the Regulations.

(iii) For each Computation Date, the Issuer shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (i) above this section E(1)(c) that are allocable to Gross Proceeds of the Bonds. In addition, where Nonpurpose Investments are retained by the Bond Commission after retirement of the Bonds, any unrealized gains or losses as of the date of retirement of the Bonds must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(iv) In determining the Nonpurpose Investments that are allocable to Gross Proceeds of the Bonds, the Issuer shall consider the allocation rules set forth in the Regulations, including the rules relating to the Universal Cap. In general, the Universal Cap represents the maximum value of Nonpurpose Investments that

may be allocated to an issue of bonds and is determined by reference to the Value of all the outstanding bonds of the issue.

(v) For each Computation Date, the Issuer shall calculate for each Nonpurpose Investment described in paragraph (iii) above, an amount equal to the earnings which would have been received on such Nonpurpose Investment at an interest rate equal to the Yield on the Bonds as described in paragraph (ii) above. The method of calculation shall follow that set forth in the Regulations.

(vi) In determining the amount of any rebate computed pursuant to this section, all earnings on any Bona Fide Debt Service Fund to the extent such earnings do not exceed \$100,000 in any Bond year shall not be taken into account.

(vii) For each Computation Date, the Issuer shall calculate the Rebate Amount (computed from the Issue Date of the Bonds to each such Computation Date) by any appropriate method provided in the Code and Regulations that is applicable to the Bonds, taking into account any computation credit allowed thereunder. In determining the Rebate Amount, the Issuer shall account for the amounts determined under paragraphs (iii), (iv), and (v) above.

(viii) If the Rebate Amount exceeds the amount on deposit in the Rebate Account, the Issuer shall immediately pay that amount, or cause that amount to be paid, into the Rebate Account.

2. Payment to United States. (a) Installment Computation Dates. Unless the Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Bonds to each such Installment Computation Date).

(b) Final Computation Date. The Issuer shall pay to the United States, not later than sixty (60) days after the last outstanding Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date (computed from the date of issuance of the Bonds to the Final Computation Date).

(c) Mailing of Rebate Payment. Each Payment of an installment shall be mailed to the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be

accompanied by (i) a copy of IRS Form 8038-T, and (ii) the CUSIP number for the Bond with the latest maturity.

(d) Excess Balance in Rebate Fund; Excess Rebate Payments. If on the Rebate Payment Date the balance on deposit in the Rebate Fund is in excess of the Rebate Amount attributable to the Bonds, such excess may be withdrawn by the Issuer from the Rebate Fund. The Issuer may direct that any overpayment of rebate may be recovered from any rebate payment previously made to the United States under any procedure that may be permitted by the Code or the Regulations.

(e) Recordkeeping. In connection with the rebate requirement, the Issuer shall maintain (or cause to be maintained) the following records:

(i) The Issuer shall record all amounts paid to the United States pursuant to Section E(2) hereof.

(ii) The Issuer shall retain records of the rebate calculations until six years after the Final Computation Date.

(iii) The Issuer shall keep and record the data described in Section E(1)(c) hereof pertaining to the investment of the proceeds of the Bonds until six years after the Final Computation Date.

3. Rebate Analyst. (a) A Rebate Analyst shall be appointed to perform the rebate calculations, as required herein.

(b) The Issuer may rely conclusively upon the opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

4. Failure to Pay Rebate Amounts. In the event the Issuer fails to pay at the proper time and in the proper amounts, any Rebate Amount, it will pay the rebate amount plus interest within 180 days after discovery of such failure as set forth in Section 1.148-3(h)(3) of the Regulations. Notwithstanding the foregoing, in the event the Issuer fails to pay at the proper time and in the proper amount any Rebate Payment or correction amount, it hereby covenants and agrees to pay any penalty required by Internal Revenue Service in lieu of a declaration of taxability on the Bonds.

F. MISCELLANEOUS

1. The amount designated as "Cost of Issuance" of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds and refunding of the Series 2002 A Bonds.

2. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Ogden, Utah. The Form 8038-G attached hereto as EXHIBIT B - FORM 8038-G is, to the best of my knowledge, true and correct, and may be relied upon by Bond Counsel.

3. None of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, or will be used to make or finance loans to, any person who is not a governmental unit.

4. The original proceeds of the Bonds will not exceed the amount necessary for the purpose of the issue, except to the extent any such proceeds are required for rebate to the United States.

5. The Issuer shall use the proceeds of the Bonds solely to current refund the Series 1985 Bonds to their redemption date; to fund a Reserve Account for the Bonds; and to pay costs of issuance thereof.

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

7. The Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

8. The Issuer has not entered and will not enter into any transaction to reduce the Yield on an investment of the Gross Proceeds of the Bonds so as to cause the amount to be rebated to the United States Treasury to be less than it would have been had the transaction been at arm's length and the Yield on the Bonds not been relevant to either party to the transaction, and that all investments of Gross Proceeds will be made on an arm's length, Fair Market Value basis.

9. On each Valuation Date, the Issuer agrees to value the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder in accordance with the Regulations. Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Bonds as of a Valuation Date shall

not be considered a violation of this provision if the application of the Universal Cap would not result in a reduction or reallocation of Gross Proceeds of an issue.

10. [RESERVED]

11. No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer or other related governmental agency that have been used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Bonds.

12. In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax and Arbitrage Certificate), including without limitation any arrangement under which money, securities, or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer or related governmental agencies with any registered owner of the Bonds.

13. The Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the Regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

14. No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds.

15. Gross Proceeds of the Bonds, other than gross proceeds that are allocable to:

- (a) the payment of principal of, interest on, and redemption premium for the Series 1985 Bonds;
- (b) the payment of pre-issuance accrued interest on the Bonds from December 1, 2002 to December 23, 2002;
- (c) the payment of the Costs of Issuance of the Bonds;

(d) the payment of administrative costs allocable to repaying the Series 2002 A Bonds, or carrying and repaying the Bonds, or the reasonable investments of Proceeds of the Bonds;

(e) Transferred Proceeds allocable to expenditures for governmental purpose of the Series 2002 A Bonds;

(f) amounts deposited in the Sinking Fund (including investment earnings thereon) to pay debt service on the Series 2002 A Bonds; and

(g) qualified guarantee fees (within the meaning of the Regulations) for the Bonds or the Series 2002 A Bonds;

will not exceed 1% of the Sale Proceeds from the Bonds.

16. The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code and the Regulations thereunder.

17. The Issuer covenants to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be and continue to be excludable from gross income for federal income tax purposes.

18. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, and take all other actions required of it in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

19. The Issuer has retained the right to amend the Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Bonds from the gross income of the holders thereof.

20. The Issuer shall comply with all yield restrictions on Bond proceeds as set forth in the Code.

21. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest thereon. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such

Regulations, regardless of whether such actions may be contrary to any of the provisions of the Resolution.

22. The Bonds are a fixed yield issue. No interest or other amount payable on any of the Bonds (other than in the event of an unanticipated contingency) is determined by reference to (or by reference to an index that reflects) market interest rates or stock or commodity prices after the date of issue.

23. Under section 1.148-2(b) of the Regulations, an officer of the Issuer must certify the issuer's expectations as of the issue date. In accordance therewith, the undersigned Chairman of the Issuer hereby in good faith certifies that the representations and covenants set forth in this Certificate constitute the reasonable expectations of the Issuer as of the Issue Date. Accordingly, the representations and covenants set forth herein are intended and may be relied upon as the certification described in section 1.148-2(b) of the Regulations and are being delivered as part of the record of proceedings in connection with the issuance of the Bonds.

24. The Issuer does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and bonds issued to currently refund any obligation of the Issuer) during the calendar year 2002 and hereby and in the Resolution designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

25. To the best of my knowledge, information and belief there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

26. Steptoe & Johnson PLLC is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

27. Notwithstanding any other provision hereof, any provision of this Tax and Arbitrage Certificate shall be amended at any time and such amendment shall be complied with, upon receipt by the Issuer of an opinion of Bond Counsel that such amendment is necessary or permissible under the then current Code and Regulations and is either necessary to or will not adversely affect the excludability of interest on the Bonds from gross income of the recipients thereof for federal income tax purposes.

28. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

WITNESS my signature this 23rd day of December, 2002.

ARMSTRONG PUBLIC SERVICE DISTRICT

Thomas Bewler  
Chairman

12/18/02  
028360.00001

UNDERWRITER'S CERTIFICATE

[Included in Transcript as Document No. 20]

EXHIBIT B  
IRS FORM 8038-G

[Included in Transcript as Document No. 33]



ARMSTRONG PUBLIC SERVICE DISTRICT

Sewer Refunding Revenue Bonds, Series 2002 A

REGISTRAR'S CERTIFICATE

United Bank, Inc., Charleston, WV, (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows: All capitalized terms used herein shall have the same meanings set forth in the Resolution of Armstrong Public Service District (the "Issuer") adopted December 5, 2002, as supplemented (collectively the "Resolution"):

1. The Bank is a state banking corporation duly organized, validly existing, and in good standing under the laws of the State of West Virginia, and is lawfully empowered, pursuant to such laws, to accept the duties and obligations contemplated and as provided under the Resolution and to serve in the capacity of Registrar under the Resolution.

2. The Bank has duly authorized, by all necessary action, the authentication of the Bonds and the execution and delivery of this Certificate and the acceptance of all duties of Registrar under the Resolution, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, such person, in his or her official capacity, was and is authorized to authenticate the Bonds for and on behalf of the Bank.

4. Appearing opposite the name and title of the person indicated below is a true and correct specimen of his or her signature.

Name  
Kathy Smith

Title  
Vice President

Signature  
[Handwritten Signature]

5. There have been filed with the Bank all of the documents listed in Section 3.12 of the Resolution; the Bonds have been duly authenticated and delivered to the Original Purchaser, and proceeds of the Bonds have been deposited as required by the Resolution.

6. Attached hereto as EXHIBIT A is a correct listing of the Bond numbers, CUSIP numbers, maturity dates, principal amounts, interest rates and yields of the Bonds.

WITNESS my signature on this 23<sup>rd</sup> day of December, 2002.

UNITED BANK, INC.

By: *Paul H. Davis*  
Its: Authorized Officer

12/17/02  
028360.00001

CH569555.1

EXHIBIT A - SERIES 2002 A BOND TERMS

TERM BONDS

<u>Bond No.</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
AR-1	042459AA5	4/01/2008	125,000.00	4.000%	100.000%
AR-2	042459AB3	4/01/2013	140,000.00	4.700%	100.000%
AR-3	042459AC1	4/01/2018	180,000.00	5.100%	97.915%
AR-4	042459AD9	4/01/2022	180,000.00	5.500%	97.669%
AR-5	042459AE7	4/01/2025	160,000.00	5.600%	97.506%



\$785,000  
ARMSTRONG PUBLIC SERVICE DISTRICT

Sewer Refunding Revenue Bonds, Series 2002 A

UNDERWRITER'S CERTIFICATE

The undersigned Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, as purchaser of the above-captioned Bonds (the "Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement dated December 12, 2002, by and between Armstrong Public Service District (the "Issuer") and the Underwriter, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated December 12, 2002, relating to the Bonds, including interest accrued on the Bonds from December 1, 2002 to December 23, 2002. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yield, shown on the cover of the Official Statement, including interest accrued on the Bonds from December 1, 2002, to December 23, 2002.

(b) The level of funding of the Reserve Account established by the Resolution authorizing issuance of the Bonds is reasonable and necessary because such an amount is required as a condition to marketing the Bonds at the interest rates and with the maturities established for the Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Bonds due to a temporary decrease in Net Revenues or increase in operating expenses. The amount to be maintained in the Reserve Account (\$62,940) is equal to the maximum annual debt service on the Bonds and is less than 10% of the face amount of the Bonds, and is less than 125% of the average annual debt service on the Bonds.

(c) The weighted average maturity of the Bonds is 13.569 years.

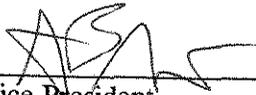
(d) The remaining weighted average maturity of the Series 1985 Bonds is 14.710 years.

(e) The net interest cost on the Bonds is 5.6425054% and the yield on the Bonds is 5.4217621%.

(f) This certificate may be relied upon by the Issuer with respect to completion of its Tax and Non-Arbitrage Certificate and IRS Form 8038-G relating to the Bonds, and by Steptoe & Johnson PLLC in rendering its tax opinion with respect to the Bonds.

Dated this 23<sup>rd</sup> day of December, 2002.

CREWS & ASSOCIATES, INC.

By:   
Its: Vice President

12/17/02  
028360.00001

CH569557.1





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)

ARMSTRONG PUBLIC SERVICE DISTRICT

Sewer Refunding Revenue Bonds, Series 2002 A

RECEIPT FOR PAYMENT OF SERIES 1985 BONDS

The undersigned, authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture ("RUS"), the registered owner of the Sewer Revenue Bonds, Series 1985, dated March 26, 1985 (the "Prior Bonds"), of Armstrong Public Service District (the "Issuer"), issued in the total original aggregate principal amount of \$778,000, hereby certifies that on the 23<sup>rd</sup> day of December, 2002, RUS received \$716,441.41 from the Issuer and that such sum is sufficient to pay in full the entire outstanding principal of and all interest accrued on the Prior Bonds and discharge the liens, pledges and encumbrances securing the Prior Bonds.

WITNESS my signature on this 23<sup>rd</sup> day of December, 2002.

RURAL UTILITIES SERVICE, UNITED STATES  
DEPARTMENT OF AGRICULTURE

By: *Kathy J. Crum*  
Acting State Director

SEWER REVENUE BOND, SERIES 1985

ARMSTRONG PUBLIC SERVICE DISTRICT

\$778,000

No. R-1

Date: March 26, 1985

FOR VALUE RECEIVED, ARMSTRONG PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (the "Government"), at its National Finance Office, St. Louis, Missouri, 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Seven Hundred Seventy-Eight Thousand Dollars (\$778,000), plus interest on the unpaid principal balance at the rate of nine and three-quarters percent (9 3/4%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof and \$6,489, 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, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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.

PAID IN FULL USDA

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 construction and acquisition of a sewerage 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 said office of the Bond Registrar, as defined in the Resolution hereinafter described, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the 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, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act"), and with a Resolution of the Borrower duly adopted (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.

ARMSTRONG PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

Thomas Rowler  
Chairman, Public Service Board

Post Office Box 156  
Kimberly, West Virginia 25118

ATTEST:

Dorva Cunningham  
Secretary, Public Service Board

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$ 770,000.00	3/25/55	(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	

TOTAL \$ 770,000.00

ASSIGNMENT

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

UNITED STATES OF AMERICA  
FARMERS HOME ADMINISTRATION

By \_\_\_\_\_

(Title)

(No writing on this Bond except by the Bond Registrar)

Date of Registration	In Whose Name Registered	Signature of Registrar
<u>March 26, 1985</u>	<u>UNITED STATES OF AMERICA FACTORS AND BROKERS UNITED STATES DEPARTMENT OF REVENUE</u>	<u><i>[Handwritten Signature]</i></u>
_____	_____	_____
_____	_____	_____

03/20/85  
ARM2-A







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

Writer's Contact Information  
(304) 353-8196 - Telephone  
(304) 353-8181 - Fax  
stumpjc@steptoe-johnson.com

December 18, 2002

\$785,000  
Armstrong Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Via Fax and Regular Mail

City National Bank  
Post Office Box 1109  
Montgomery, West Virginia 25136  
Attn: Judy Shawkey

Dear Ms. Shawkey:

As bond counsel for Armstrong Public Service District (the "Issuer"), we wish to advise you that on December 23, 2002 (the "Closing Date"), the Issuer will deliver the above-captioned bonds (the "Bonds") to DTC, on behalf of Crews & Associates, Inc. (the "Purchaser"). A portion of the proceeds of the Bonds will be used to prepay and currently refund the Issuer's Sewer Revenue Bonds, Series 1985, dated March 26, 1985 (the "Series 1985 Bonds").

The prepayment for the Series 1985 Bonds will be effected with \$643,526.47 from the proceeds of the Bonds and the transfer of \$72,914.94 from the Series 1985 Bonds Reserve Account held by City National Bank, Montgomery, West Virginia (the "Bank"). The Bank and the Purchaser shall wire to the holder of the Series 1985 Bonds the amounts specified above in two separate wires, together which shall be sufficient to pay the entire principal of, the redemption premium, if any, and all interest accrued on the Series 1985 Bonds. Wiring instructions will be provided to the Bank by the Purchaser.

Upon redemption of the Series 1985 Bonds on December 23, 2002, any funds remaining in the Series 1985 Bonds Reserve Account shall be transferred to the Series 2002 A Bonds Sinking Fund held by the West Virginia Municipal Bond Commission.

Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,

A handwritten signature in black ink, appearing to read 'John C. Stump'. Below the signature, the name 'John C. Stump' is printed in a standard font.

John C. Stump

JCS/km

cc: Thomas Bowen, Chairman  
028360.00001





Charleston Morgantown Martinsburg Wheeling Parkersburg

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

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(304) 353-8196 - Telephone  
(304) 353-8181 - Fax  
stumpjc@steptoe-johnson.com

December 18, 2002

\$785,000  
Armstrong Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Via Facsimile and Regular Mail

Randy Plum, Rural Utilities Service Program Director  
United States Department of Agriculture - Rural Development  
Federal Building, Room 320  
75 High Street  
Morgantown, West Virginia 26505-7500

Dear Randy:

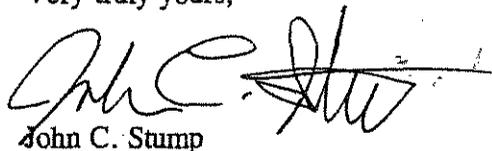
Please be advised that Armstrong Public Service District (the "District") intends to currently refund all of its outstanding Sewer Revenue Bonds, Series 1985. Pursuant to the United States Department of Agriculture, Rural Utilities Service ("RUS") prepayment guidelines, the District will close its Refunding Bonds and deposit sufficient monies from proceeds of the Refunding Bonds and amounts on deposit in the Series 1985 Bonds Reserve Account held at City National Bank, Montgomery, West Virginia, with the United States Department of Agriculture to prepay its Series 1985 Bonds on December 23, 2002 (the "Closing Date"), in full.

I will contact Ms. Christian with the wiring information on the Closing Date. Upon confirmation of the wires, the enclosed Receipt for Payment of Series 1985 Bonds will need to be executed and faxed to me at (304) 353-8181.

Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,



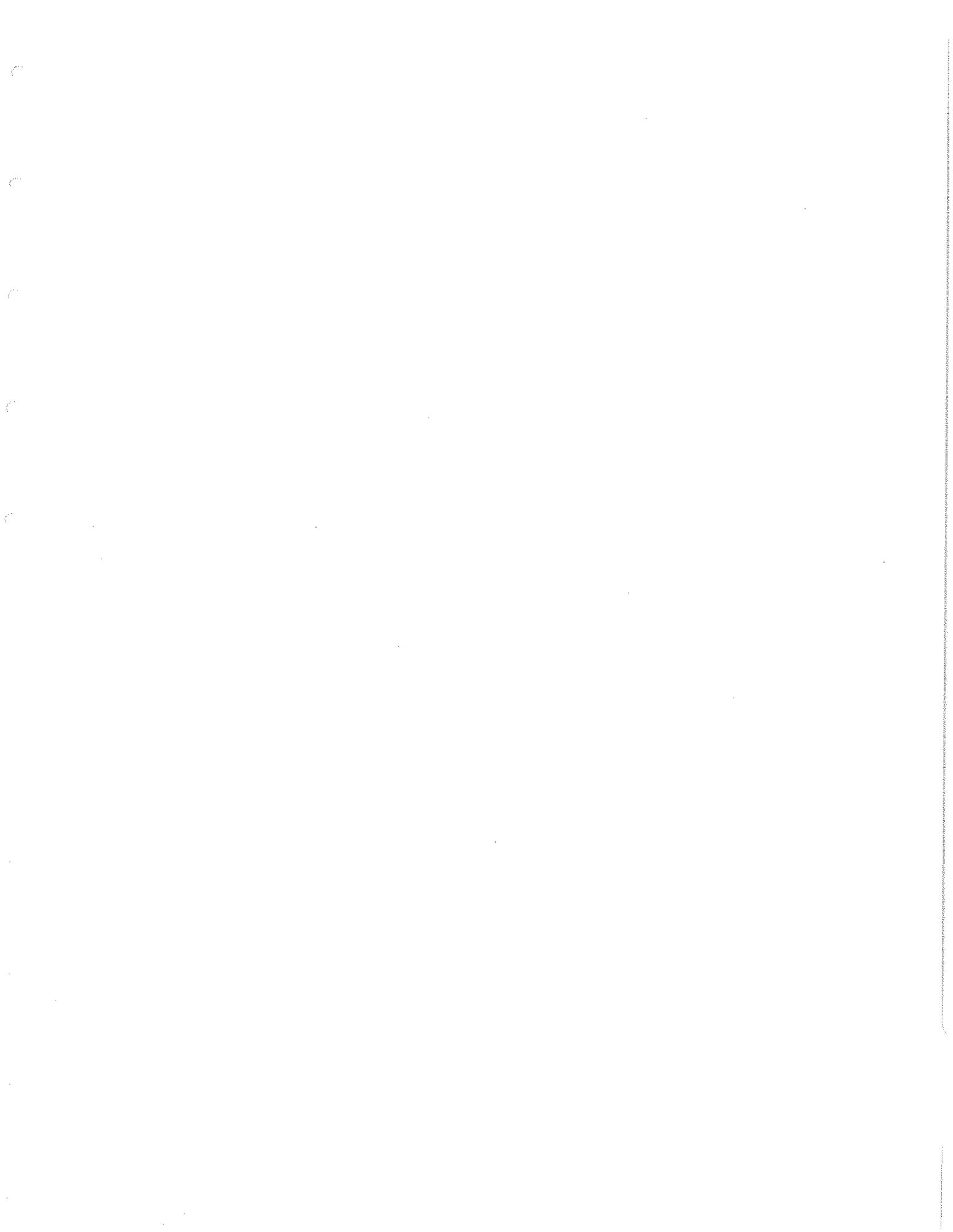
John C. Stump

JCS/km

Enclosure

cc: Ms. Rosemary Christian (w/encl.)  
028360.00001

CH569603.1





PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 9, 2002

NEW ISSUE

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2002 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2002 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the laws of the State of West Virginia, the Series 2002 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2002 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia (see "Tax Matters" herein).

\$785,000\*

ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BONDS  
SERIES 2002 A

Dated: December 1, 2002

Due: April 1, as shown below

The Series 2002 A Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. All of the Series 2002 A Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2002 A Bonds will be in book-entry form only. Semiannual interest on the Series 2002 A Bonds is payable beginning April 1, 2003, and each April 1 and October 1 thereafter. So long as the Series 2002 A Bonds are maintained under a book-entry system, payments of the principal of, premium, if any, and interest on the Series 2002 A Bonds will be made when due by the Municipal Bond Commission of West Virginia, Charleston, West Virginia, as Paying Agent, to DTC in accordance with the Resolution and any Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2002 A Bonds. See "THE SERIES 2002 A BONDS" and "BOOK-ENTRY ONLY SYSTEM." The Series 2002 A Bonds are subject to redemption prior to maturity as described herein.

The Series 2002 A Bonds are being issued, together with other funds available therefor, to: (i) provide funds in the amount of \$\_\_\_\_\_ to be deposited in the Series 2002 A Bonds Reserve Account which will equal the maximum annual debt service on the Series 2002 A Bonds; (ii) provide funds to current refund the outstanding Armstrong Public Service District (the "District"), Sewer Revenue Bond, Series 1985; and (iii) pay certain costs of issuance of the Series 2002 A Bonds and related costs.

The Series 2002 A Bonds are payable from and further secured by the Net Revenues derived from the existing sewer system of the District and any extensions, improvements and betterments thereto and from funds on deposit in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein. The Series 2002 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the principal of, premium, if any, and interest on the Series 2002 A Bonds, except from the Net Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power, if any, of the District shall be deemed to be pledged to, nor shall any tax be levied for, the payment of the principal of, premium, if any, or interest on the Series 2002 A Bonds.

The District has designated the Series 2002 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES\*

\$ _____	*	_____ %	Series 2002 Term Bonds due April 1, 2008 at _____ %
\$ _____	*	_____ %	Series 2002 Term Bonds due April 1, 2013 at _____ %
\$ _____	*	_____ %	Series 2002 Term Bonds due April 1, 2018 at _____ %
\$ _____	*	_____ %	Series 2002 Term Bonds due April 1, 2022 at _____ %
\$ _____	*	_____ %	Series 2002 Term Bonds due April 1, 2025 at _____ %

(Accrued interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2002 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. Hamilton, Burgess, Young & Pollard, pllc, Fayetteville, West Virginia, as counsel to the District, will pass on certain legal matters for the District, including proceedings regarding the Public Service Commission of West Virginia. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2002 A Bonds will be available for delivery in New York, New York, on or about December \_\_, 2002.

Crews & Associates, Inc.

Dated: December \_\_, 2002

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**ARMSTRONG PUBLIC SERVICE DISTRICT, WEST VIRGINIA**

**PUBLIC SERVICE BOARD**

Thomas Bowen, Chairman  
Charles Walker, Treasurer  
Judson Wallace, Secretary

**BOND COUNSEL**

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Charleston, West Virginia

**DISTRICT'S COUNSEL**

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Fayetteville, West Virginia

**ACCOUNTANT**

Howard W. Cloke, III  
Fayetteville, West Virginia

**UNDERWRITER**

Crews & Associates, Inc.  
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**UNDERWRITER'S COUNSEL**

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Charleston, West Virginia

**DEPOSITORY BANK**

City National Bank  
Montgomery, West Virginia

**REGISTRAR**

United Bank, Inc.  
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2002 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by Armstrong Public Service District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from Armstrong Public Service District and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Armstrong Public Service District as it relates to the System since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2002 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT**  
**\$785,000\***  
**ARMSTRONG PUBLIC SERVICE DISTRICT**  
**SEWER REFUNDING REVENUE BONDS**  
**SERIES 2002 A**

**INTRODUCTION**

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Armstrong Public Service District, West Virginia (the "District"), the District's sewer system hereinafter described and the District's \$785,000\* in aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2002 A (the "Series 2002 A Bonds"). The Series 2002 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act"), and a resolution adopted by the Public Service Board of the District on December 5, 2002 (the "Resolution"), as supplemented and amended by any supplemental resolution adopted by the Board of the District pursuant to the Resolution (the "Supplemental Resolution", and together with the Resolution, the "Resolution").

The proceeds of the Series 2002 A Bonds, together with other funds available therefor, will be used as follows: (i) to provide funds in the amount of \$\_\_\_\_\_ to be deposited in the Series 2002 A Bonds Reserve Account which will equal the maximum annual debt service on the Series 2002 A Bonds; (ii) to current refund the District's Sewer Revenue Bond, Series 1985; and (iii) to pay certain costs of issuance of the Series 2002 A Bonds and related costs.

The Series 2002 A Bonds are payable from and secured by the Net Revenues, as defined in the Resolution and hereinafter, derived from the existing sewer system of the District and any extensions, improvements or betterments thereto (the "System") and from funds on deposit in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein. The Series 2002 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Series 2002 A Bonds or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit.

Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby so as to produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Series 2002 A Bonds. See "SECURITY FOR THE SERIES 2002 A BONDS - Rate Covenant."

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\*Preliminary, subject to change.

The Series 2002 A Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2002 A BONDS" herein. The Series 2002 A Bonds initially will be maintained under a book-entry system. So long as the Series 2002 A Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2002 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2002 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2002 A BONDS" herein.

For a description of the exclusion of interest on the Series 2002 A Bonds from gross income for federal and state income tax purposes, see "TAX MATTERS" herein.

The District may issue additional bonds on parity with the Series 2002 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds issued pursuant to the Resolution subject, in each case, to certain tests and conditions provided for by the Resolution (the Series 2002 A Bonds and any such additional parity bonds are hereinafter referred to as the "Bonds"). See "SECURITY FOR THE SERIES 2002 A BONDS - Additional Parity Bonds."

The Series 2002 A Bonds are offered when, as and if issued and received on behalf of the Underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. Hamilton, Burgess, Young & Pollard, pllc, Fayetteville, West Virginia, will pass upon certain legal matters for the District, including proceedings regarding the Public Service Commission of West Virginia. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2002 A Bonds, the District and certain provisions of the Resolution and the Act, as defined in the Resolution and hereinafter, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2002 A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Resolution. Copies of the Resolution and other applicable documents may be obtained from the District or, during the period of offering the Series 2002 A Bonds, from the Underwriter.

## FINANCING PLAN

### Estimated Sources and Uses of Funds \*

Sources of Funds:	
Principal Amount of Series 2002 A Bonds	\$ _____ .00
Accrued Interest	_____
Transfer from Prior Bond Reserve Account	_____
Total Sources	\$ _____ .00
Uses of Funds:	
Series 2002 A Bonds Reserve Account	\$ _____
Repayment of Series 1985 Bonds	_____
Original Issue Discount	_____
Underwriter's Discount	_____
Accrued Interest	_____
Costs of Issuance (1)	_____
Total Uses	\$ _____ .00

(1) Includes legal and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2002 A Bonds.

\_\_\_\_\_  
\*Preliminary, subject to change.

## THE SERIES 2002 A BONDS

### General

The Series 2002 A Bonds are dated and bear interest from December 1, 2002, upon original issuance. Any Series 2002 A Bond issued in exchange on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof unless the date of authentication is an interest payment date on which interest on said Series 2002 A Bond shall have been paid in full or duly provided for, in which case said Series 2002 A Bond shall be dated such date of authentication; or unless, as shown by the records of the Registrar, as defined below, interest on such Series 2002 A Bond shall be in default, in which case any Series 2002 A Bond issued in exchange for a Series 2002 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2002 A Bonds will bear interest from their date, payable semiannually on each April 1 and October 1, commencing April 1, 2003, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2002 A Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. The Series 2002 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2002 A Bonds and payments of

principal of, redemption price, if any, and interest on the Series 2002 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2002 A Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date or, in the event of a default in the payment of the Series 2002 A Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date (the "Record Date"). If the book-entry system is discontinued, principal of, premium, if any, and interest on the Series 2002 A Bonds will be payable to the owner thereof upon surrender thereof at the principal corporate trust department office of the Paying Agent.

So long as the Series 2002 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2002 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2002 A Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2002 A Bond, there will be issued another Series 2002 A Bond or Series 2002 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2002 A Bond. For every exchange or transfer of Series 2002 A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The District shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

#### Optional Redemption

The Series 2002 A Bonds maturing on or after April 1, 20\_\_, at the option of the District, will be subject to redemption prior to maturity on or after April 1, 20\_\_, as a whole or in part at any time, at a redemption price (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued interest to the date fixed for redemption:

Period During Which Redeemed  
(both dates inclusive)

Redemption Date	Redemption Price
April 1, 20__ - March 31, 20__	___%
April 1, 20__ - March 31, 20__	___
April 1, 20__ and thereafter	___

If fewer than all of the Series 2002 A Bonds shall be called for optional redemption, the particular maturities of the Series 2002 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2002 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2002 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Sinking Fund Redemption

The Series 2002 A Bonds maturing April 1, 2008, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2003, and on each April 1 thereafter to and including April 1, 2008, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$ __,000	2006	\$ __,000
2004	__,000	2007	__,000
2005	__,000	2008*	__,000

The principal amount of Series 2002 A Bonds maturing April 1, 2008, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2013, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2009, and on each April 1 thereafter to and including April 1, 2013, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	\$ __,000	2012	\$ __,000
2010	__,000	2013*	__,000
2011	__,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2013, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2018, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2014, and on each April 1 thereafter to and including April 1, 2018, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2014	\$ __,000	2017	\$ __,000
2015	__,000	2018*	__,000
2016	__,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2018, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds

to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2019, and on each April 1 thereafter to and including April 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$ __,000	2021	\$ __,000
2020	__,000	2022*	__,000

The principal amount of Series 2002 A Bonds maturing April 1, 2022, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing April 1, 2025, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on April 1, 2023, and on each April 1 thereafter to and including April 1, 2029, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$ __,000	2025*	\$ __,000
2024	__,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2025, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

\*Stated maturity.

#### Notice of Redemption

So long as the Series 2002 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2002 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2002 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2002 A Bond with respect to which no such failure has occurred. After notice of redemption has been given in the manner hereinabove and in the Resolution described and moneys necessary therefor have been deposited,

the Series 2002 A Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

### **BOOK-ENTRY ONLY SYSTEM**

The information in this section has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

#### **The Depository Trust Company**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2002 A Bonds. The Series 2002 A Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered certificate of the Series 2002 A Bonds will be issued for each maturity of the Series 2002 A Bonds in the principal amount equal to the aggregate principal amount of the Series 2002 A Bonds of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

#### **Ownership of Series 2002 A Bonds**

Purchases of the Series 2002 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002 A Bonds on DTC's records. The ownership interest of the actual purchasers of each Series 2002 A Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participants through which the Beneficial Owners entered to the transaction. Transfers of ownership interests in the Series 2002 A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2002 A Bonds except in the event that use of the book-entry system for the Series 2002 A Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2002 A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2002 A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002 A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the District as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2002 A Bonds, references herein to the Bondholders or the holders or owners of the Series 2002 A Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2002 A Bonds. The District and the Paying Agent will recognize DTC or its nominee as the holder of all of the Series 2002 A Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2002 A Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Resolution. Neither the District nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

#### Payments on and Redemption of Series 2002 A Bonds

So long as the Series 2002 A Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2002 A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the District. Payment of principal and interest to DTC is the responsibility

of the District or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2002 A Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2002 A Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2002 A Bonds or of any other action premised on such notice. If fewer than all of the Series 2002 A Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Resolution and will not be made by the District, the Registrar or the Paying Agent.

The District, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2002 A Bonds paid to DTC or its nominee as the registered owner of the Series 2002 A Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2002 A Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

#### Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the District as a securities depository for the Series 2002 A Bonds and, in such event, the District may discontinue the maintenance of the Series 2002 A Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the District appoints a securities depository to replace DTC, the Series 2002 A Bonds held by DTC will be canceled, and the District will execute and the Registrar will authenticate and deliver Series 2002 A Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2002 A Bonds shown on the records of such Participant provided to the Registrar.

### **SECURITY FOR THE SERIES 2002 A BONDS**

The Series 2002 A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2002 A Bonds except from said sources.

## Sources of Payment

The payment of the debt service on the Series 2002 A Bonds shall be secured forthwith equally and ratably by a parity first lien on and pledge of the Net Revenues derived from the System and the funds on deposit in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein as more fully described below under "ANNUAL DEBT SERVICE REQUIREMENTS." Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2002 A Bonds and to make the payments into the Series 2002 A Bonds Sinking Fund and all other payments provided for in the Resolution, and the funds in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2002 A Bonds as the same become due and for the other purposes provided in the Resolution.

## Rate Covenant

The District has covenanted and agreed in the Resolution to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the Series 2002 A Bonds.

The District further covenants that it will enact any rate increases as shall be required to comply with the aforementioned rate covenant within thirty (30) days following a determination by the District or upon an annual audit of the District that the District is not in compliance with such rate covenant. Provided, however, that any such rate increase is subject to the approval of the Public Service Commission of West Virginia prior to the implementation thereof.

## Series 2002 A Bonds Reserve Account

\$.\_\_\_\_\_ of proceeds of the Series 2002 A Bonds will be deposited in the Series 2002 A Bonds Reserve Account in an amount equal to the maximum annual debt service on the Series 2002 A Bonds. In the event funds in the Revenue Fund are insufficient to pay the principal of and/or interest on the Series 2002 A Bonds, the Bond Commission shall withdraw and transfer to the Series 2002 A Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2002 A Bonds as the same becomes due from cash on deposit in the Series 2002 A Bonds Reserve Account.

In the event of a transfer from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund as aforesaid, the District shall restore the balance to the Series 2002 A Bonds Reserve Account in an amount up to the Series 2002 A Bonds Reserve Requirement. The transfer of any cash by the District from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund shall be replenished over twelve (12) equal monthly payments.

The reimbursement obligation of the District will be secured by the Net Revenues derived from the System and the funds on deposit in the Renewal and Replacement Fund, provided however, that such lien will be subordinate to the payment of debt service to holders of the Series 2002 A Bonds.

#### Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with The City National Bank of West Virginia, Montgomery, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; first, for use by the District for the Operating Expenses of the System; second, for monthly deposit in the Series 2002 A Bonds Sinking Fund established with the Bond Commission, (i) of a sum equal to 1/6 of the amount of interest which will become due on the Series 2002 A Bonds, on the next ensuing semiannual interest payment date (beginning April 1, 2003, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the first principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2002 A Bonds, on the next ensuing principal payment date or mandatory redemption date; third for restoration of any deficiency in the funding of the Series 2002 A Bonds Reserve Account; and fourth, for monthly transfer to the Renewal and Replacement Fund, beginning with the first month following delivery of the Series 2002 A Bonds, of a sum equal to two and one-half percent (2 1/2%) of monthly Gross Revenues (excluding payments to the Series 2002 A Bond Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

#### Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The District further covenants and agrees in the Resolution that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the District, discontinue sewer services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

#### Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on parity with the Series 2002 A Bonds with respect to their lien on the Net Revenues of the System and their source of and security for payment from said Net Revenues (the "additional parity bonds") for the following purposes and under the following conditions:

No such additional parity bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the

System, refunding all or a portion of the Series 2002 A Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary of the District a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such additional parity bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (1) The Series 2002 A Bonds then Outstanding;
- (2) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- (3) The additional parity bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years", as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity bonds.

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The term "additional parity bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations hereof, payable from the Net Revenues of the System on a parity with the Series 2002 A Bonds and the District's other indebtedness, and all the covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2002 A Bonds and the District's other indebtedness and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Series 2002 A Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for

The reimbursement obligation of the District will be secured by the Net Revenues derived from the System and the funds on deposit in the Renewal and Replacement Fund, provided however, that such lien will be subordinate to the payment of debt service to holders of the Series 2002 A Bonds.

#### Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with The City National Bank of West Virginia, Montgomery, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; first, for use by the District for the Operating Expenses of the System; second, for monthly deposit in the Series 2002 A Bonds Sinking Fund established with the Bond Commission, (i) of a sum equal to 1/6 of the amount of interest which will become due on the Series 2002 A Bonds, on the next ensuing semiannual interest payment date (beginning April 1, 2003, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the first principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2002 A Bonds, on the next ensuing principal payment date or mandatory redemption date; third for restoration of any deficiency in the funding of the Series 2002 A Bonds Reserve Account; and fourth, for monthly transfer to the Renewal and Replacement Fund, beginning with the first month following delivery of the Series 2002 A Bonds, of a sum equal to two and one-half percent (2 1/2%) of monthly Gross Revenues (excluding payments to the Series 2002 A Bond Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

#### Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The District further covenants and agrees in the Resolution that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the District, discontinue sewer services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

#### Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on parity with the Series 2002 A Bonds with respect to their lien on the Net Revenues of the System and their source of and security for payment from said Net Revenues (the "additional parity bonds") for the following purposes and under the following conditions:

No such additional parity bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the

System, refunding all or a portion of the Series 2002 A Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary of the District a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such additional parity bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (1) The Series 2002 A Bonds then Outstanding;
- (2) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- (3) The additional parity bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years", as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity bonds.

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The term "additional parity bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations hereof, payable from the Net Revenues of the System on a parity with the Series 2002 A Bonds and the District's other indebtedness, and all the covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2002 A Bonds and the District's other indebtedness and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Series 2002 A Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for

and on account of such additional parity bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution or any prior resolution.

The term "additional parity bonds," as used herein, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior lien of the Series 2002 A Bonds and the District's other indebtedness on such Revenues. The District shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to the Series 2002 A Bonds. The District shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank equally, as to lien and source of and security for payment from such Revenues, with the Series 2002 A Bonds and the District's other indebtedness except in the manner and under the conditions provided herein.

No additional parity bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Resolution with respect to the Series 2002 A Bonds then Outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of issuance of the additional parity bonds.

### THE SYSTEM

The District was created by order of the Fayette County Commission in March, 1955. The District currently serves approximately 800 customers. The District serves a population of approximately 4,000 in the Mt. Carbon, Kimberly, Powellton, and Elkridge communities. The District was issued Permit No. WV0081132 by the West Virginia Department of Environmental Protection Office of Water Resources on May 17, 2001.

#### Sewer Service

Armstrong PSD operates and maintains an existing sewerage collection system consisting of approximately 52,400 linear feet of eight (8) inch diameter gravity sewer line, 11,674 linear feet of ten (10) inch diameter gravity sewer line, 273 manholes, 26 cleanouts and all necessary appurtenances.

The sewer system is designed to serve approximately 4,000 persons in the District and convey the wastewater to the Kanawha Falls Public Service District's wastewater treatment plant for subsequent treatment and discharge to the Kanawha River at Mile Point 90.3.

#### Sewer Usage

##### Annual Flow History

<u>Year Ended June 30</u>	<u>Total Gallons</u>
2002	39,371,000
2001	35,905,000
2000	37,171,000
1999	40,630,000
1998	40,928,000

Customer Background

Customer Count by Type

Year Ended	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2002	776	10	10	796
2001	781	11	10	802
2000	772	11	9	792
1999	814	11	9	834
1998	811	11	10	832

District Personnel

The District does not employ a General Manager or an Operations Manager. The District employs five full time employees and 2 part-time employees. Two employees are dedicated to the maintenance of the system and have a combined experience with the PSD of five years.

Rates

The current schedule of sewer rates and charges on file with the Public Service Commission of West Virginia (the "PSC") were issued on August 23, 2002, effective for service rendered on or after August 22, 2002, in Case No. 02-151-PSD-19A. The provisions of the tariff on file with the PSC are as follows:

APPLICABILITY

Applicable in entire territory served

RATES (Based on Metered Water Consumption)

First	2,000 gallons used per month	\$7.52 per 1,000 gallons
All Over	2,000 gallons used per month	\$4.88 per 1,000 gallons

RATES (Based on Non-Metered Water Usage)

Non-Metered rates are based upon 5,000 gallons usage per customer per month  
 Flat Rate/Non-metered customers - \$29.68

MINIMUM CHARGE (Per month)

No bill will be rendered for less than \$15.04 per month.

SERVICE CONNECTION FEE

The service connection fee shall be One Hundred and Fifty Dollars (\$150.00).

DELAYED PAYMENT PENALTY

The above rates are net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net amount shown. This delayed

payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

#### INCREMENTAL LEAK ADJUSTMENT

\$3.25 per 1,000 gal. 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.

#### Billing and Collections

The District renders a monthly bill to all customers of the System. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10% penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of \$15.00 is required to reinstate a previously delinquent account.

#### Allowance for Uncollectibles

The District uses the specific write-off method in recording uncollectible accounts, which does not result in amounts that differ materially from the allowance method required by generally accepted accounting principles. Since bad debt have historically not been material, no allowance for uncollectible accounts has been provided.

#### System Budget

The District prepares a draft budget for its operations, with assistance from its accountants. The District's budget is compiled from the draft budget and submitted to the Public Service Board on or before June 30 of each year. The budget is required by statute to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year and the method of financing such expenditures. The total of proposed expenditures may not exceed the total of estimated income. Upon adoption of the budget, a copy shall be provided to the County Commission. No payments may be made in excess of the budget unless unanimously authorized and directed by the Public Service Board. Separate accounting records are kept by the District and reviewed by the District's accountant each year.

#### Method of Accounting

The District maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. The records of the District for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the District office.

## Historical and Proforma Revenues, Expenses and Coverages

### Summary Statement of Income and Expense (Fiscal Year Ended June 30)

	Projected 2003	Audited 2002	Audited 2001	Audited 2000
Operating Revenues	<u>\$247,000</u>	<u>\$224,026</u>	<u>\$222,915</u>	<u>\$198,682</u>
Total operating Expenses	254,500	\$249,442	\$249,244	\$232,985
Total Operating Income	(\$7,500)	(\$25,416)	(\$26,329)	(\$34,303)
Other Income/Expenses	<u>(45,501)</u>	<u>(69,166)</u>	<u>(69,070)</u>	<u>(69,424)</u>
Net Income	(\$53,001)	(\$94,582)	(\$95,399)	(\$103,727)
Depreciation	101,000	100,790	100,790	100,789
Interest Expense	45,801	69,490	70,164	71,868
Cash Avail. For Debt Service	\$93,800	\$75,698	\$75,555	\$68,930
Debt Service	\$60,747	\$77,868	\$77,868	\$77,868
Coverage	154%	97%	97%	89%

#### Pension Plan

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia public Employee's Retirement System (PERS). It provides retirement, disability and death benefits to plan members' beneficiaries. State statutes establish benefit provisions.

The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to:

Consolidated Public Retirement Board  
Building 5  
1900 Kanawha Boulevard East  
Charleston, West Virginia 25305-0720

The District and plan members are required to contribute 9.5% and 4.5%, respectively, of annual covered salaries. The contribution requirements of the District and plan members are established and may be amended by State statute. The District's contributions to PERS for the years ended June 30, 2002, 2001, and 2000 were \$9,063, \$8,724 and \$9,757.

## Public Service District Authority and Board Membership

(1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district;

(2) The county commission may, on its own motion or on the basis of a proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action.

From and after the date of adoption of the order creating any public service district, it becomes public corporation and political subdivision of the state, but lacks any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, be sued, adopt an official seal and enter into contracts necessary or incidental to its purposed, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing sewage disposal service of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein of a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of a district.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2002 A Bonds.

<u>Year</u>	<u>Series 2002*</u>
2002	
2003	
2004	
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
<hr/>	
Totals	

\* Does not consider annual earnings on the DSR fund

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Resolution, copies of which may be obtained from the Underwriter.

### Application of Series 2002 A Bond Proceeds

The amount of the Series 2002 A Bond proceeds representing interest accrued on the Series 2002 A Bonds from the date thereof to the date of delivery to the Underwriter shall be deposited in the Series 2002 A Bonds Sinking Fund established with the Bond Commission and used to pay interest on the Series 2002 A Bonds next coming due.

An amount of the proceeds of the Series 2002 A Bonds equal to the Series 2002 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2002 A Bonds Reserve Account.

An amount of the proceeds of the Series 2002 A Bonds which, together with other monies or securities available for such purpose, specifically including, but not limited to, monies on deposit in the Series 1985 Bonds Reserve Account, shall be sufficient to accomplish the refunding and defeasance of the Series 1985 Bonds (which amount shall be set forth in a Supplemental Resolution) shall be paid to the Holder of the Series 1985 Bonds.

The balance of any proceeds of the Series 2002 A Bonds and any monies in any fund or account established for the Series 1985 Bonds pursuant to the Prior Resolutions, not used for any of the purposes set forth above, shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2002 A Bonds and miscellaneous costs of refunding the Series 1985 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Monies not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. To the extent any proceeds of the Series 2002 A Bonds remain after paying costs of issuance of the Series 2002 A Bonds, such monies shall be used to pay, within 6 months of the date of issuance, the costs of acquisition and construction of capital improvements to the System. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2002 A Bonds Sinking Fund. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2002 A Bonds.

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

(A) Qualified Investments acquired for the Series 2002 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to semiannually transfer from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 2002 A Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2002 A Bonds Reserve Account an amount at least equal to the Series 2002 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2002 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2002 A Bonds Reserve Account shall, at any time, be less than the Series 2002 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2002 A Bonds Sinking Fund and otherwise in accordance with Section 4.03 of the Resolution.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2002 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2002 A Bonds Sinking Fund may be invested by the Bond Commission in 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.

#### General Covenants

Enforcement of Collections. The District has covenanted to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law. The District will shut off and discontinue the supplying of sewer service for the nonpayment of the rates or charges for said sewer service to the full extent permitted or authorized by State law.

Operation and Maintenance. The District will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be

proper for the economical operation and maintenance thereof from the Revenues of the System in the manner provided in the Resolution.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Resolution as provided by Section 6.06. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund, and otherwise as prescribed by Section 6.06. Any balance remaining after such defeasance shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of the Revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of \$10,000, the District shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the District may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of \$10,000 but not in excess of \$50,000, the District shall first, determine upon consultation with its engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of \$50,000 and insufficient to defease the pledge created by the Resolution, as provided by Section 6.06, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 50% in amount of Bonds then Outstanding. The District shall prepare the form of such approval and consent for execution by the then Holders of the Series 2002 A Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever payable from the Revenues of the System, which rank prior to, or equally, as to lien on and source of and security for payment from the Revenues with, the Series 2002 A Bonds, provided that additional Bonds on parity with the Series 2002 A Bonds may be issued as provided in the Resolution. See "SECURITY FOR THE SERIES 2002 A BONDS-Additional Parity Bonds." All obligations issued by the District payable from the Revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to

lien on and source of and security for payment from Revenues and in all other respects, to the Series 2002 A Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to additional parity bonds, being on parity with the lien of the Series 2002 A Bonds, and the interest thereon, if any, upon any of the income and Revenues of the System pledged for payment of the Series 2002 A Bonds and the interest thereon in the Resolution, or upon the System or any part thereof.

Insurance. The District has covenanted and agreed, that so long as the Series 2002 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the District will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the District from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the District from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the District and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the District.

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

No Free Services. The District will not render or cause to be rendered any free services of any nature by its System; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Revenues derived from the operation of the System.

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

Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any registered owner of the Series 2002 A Bonds shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The District shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The District shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, an annual report containing the following:

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

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The District shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Certified Public Accountant in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Certified Public

Accountant, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to the Resolution and shall file said report with the Original Purchaser.

Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Series 2002 A Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and an authorized officer of the District shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The Public Service Board shall annually, at least 45 days prior to the beginning of each fiscal year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No expenditures for the operation and maintenance of the System shall be made in any fiscal year in excess of the amounts provided therefor in such budget without the unanimous written approval of the Public Service Board. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Registrar and shall make available such budgets and resolutions to the Registrar and to any registered owner of the Series 2002 A Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Resolution or any supplemental resolution may be made without the written consents of the registered owners of sixty percent in aggregate principal amount of the Series 2002 A Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Bonds required for consent to any such amendment or modification.

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the respective pledges of the Revenues and other moneys and securities pledged under the Resolution, and all covenants, agreements and other obligations of the District on behalf of the registered owners of the Series 2002 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due will provide moneys which, together with the moneys, if any, deposited with the paying agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission at the

same or earlier time, shall be sufficient to pay when due the principal of and interest due and to become due on the Series 2002 A Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on the Series 2002 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bond Commission, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on the Series 2002 A Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission free and clear of any trust, lien or pledge. The Bond Commission may appoint an escrow trustee to hold such moneys or securities. With respect to defeasance, the term securities includes only Government Obligations.

#### Default and Remedies

Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2002 A Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on any Bonds;

B. If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any supplemental resolution or in the Series 2002 A Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given written notice of such default, requiring the same to be remedied, by any registered owner of the Series 2002 A Bonds; or

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

Enforcement. Upon the happening and continuance of any Event of Default, any registered owner of the Series 2002 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceedings enforce all rights of the registered owners of the Series 2002 A Bonds, including the right to require the District to perform its duties under the Act and the Resolution; (iii) bring suit upon the Series 2002 A Bonds; (iv) by action at law or bill in equity require the District to account as if it were the trustee of an express trust for the registered owners of the Series 2002 A Bonds; and (v) by action or bill in equity enjoin any acts in violation of the Resolution or the rights of the registered owners of the Series 2002 A Bonds.

Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds

and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of the Resolution and the Act.

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

Whenever all that is due upon the Series 2002 A Bonds and interest thereon and under any covenants of the Resolution for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of the Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any registered owner of the Series 2002 A Bonds shall have the same right to secure the further appointment of a receiver.

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

Any receiver appointed as provided in the Resolution shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and registered owners of the Series 2002 A Bonds. Such receiver shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the District and registered owners of the Bond, and the curing and making good of any default under the provisions of the Resolution, and the title to and ownership of the System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

#### **TAX MATTERS**

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2002 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2002 A

Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the laws of the State of West Virginia, the Series 2002 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2002 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

The District has designated the Series 2002 A Bonds as "qualified tax-exempt obligations" and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2002. Therefore, the Series 2002 A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the Series 2002 A Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2002 A Bonds is deductible for federal income tax purposes.

The opinions described above are subject to the condition that the District complies on a continuing basis with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2002 A Bonds for interest thereon to be or continue to be excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Series 2002 A Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Series 2002 A Bonds.

The accrual or receipt of the interest on the Series 2002 A Bonds may otherwise affect the federal income tax liability of certain recipients. The extent of these and other consequences will depend upon the recipient's particular tax status or other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences, and investors should consult their tax advisors regarding the tax consequences of purchasing or holding the Series 2002 A Bonds.

#### **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, sale and issuance of the Series 2002 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. Hamilton, Burgess, Young & Pollard, pllc, Fayetteville, West Virginia, Counsel for the District will pass upon certain legal matters for the District, including proceedings regarding the Public Service Commission of West Virginia. Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

#### **ABSENCE OF MATERIAL LITIGATION**

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an

unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the Series 2002 A Bonds, the Resolution or any agreement to which the District is a party and which is a part of the issuance of the Series 2002 A Bonds.

### **NEGOTIABLE INSTRUMENTS**

Pursuant to State law, the Series 2002 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2002 A BONDS - General."

### **UNDERWRITING**

The Underwriter named on the cover of this Official Statement is purchasing the Series 2002 A Bonds. The Purchase Contract provides that the Underwriter will purchase all the Series 2002 A Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of \$\_\_\_\_\_ plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2002 A Bonds to certain dealers (including dealers depositing Series 2002 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

### **FINANCIAL STATEMENTS**

Included herein as Appendix B are the audited financial statements of the System as of and for the fiscal year ended June 30, 2002, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2002, dated September 26, 2002, of Howard W. Cloke, III, Certified Public Accountant. The general purpose financial statements and the combined and individual fund and account group financial statements of the District (which include the System) have been audited by Howard W. Cloke, III to the extent and for the period indicated in his report.

### **CONTINUING DISCLOSURE**

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2002 A Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2002 A Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred fifty (150) days following the end of the fiscal year of the Authority, commencing in 2002, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed

to give notice in a timely manner to each National Repository, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2002 A Bonds. Registered Owners may contact the District's Chairman at P. O. Box 155, Kimberly, West Virginia 25118 for more information.

### MISCELLANEOUS

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Resolution for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2002 A Bonds. The District has authorized the execution and distribution of this Official Statement.

### ARMSTRONG PUBLIC SERVICE DISTRICT

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

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## APPENDIX A

### GENERAL INFORMATION REGARDING FAYETTE COUNTY, WEST VIRGINIA

Fayette County, located in the south central part of the State of West Virginia, was founded in 1831. The county contains 665 square miles of land. Situated on the Allegheny Plateau, Fayette County is known for its coal, livestock, dairy products, fruit, tobacco and timber. Fayette County contains some of the State's major tourist attractions, including whitewater rafting. More than a quarter million people have visited the New and Gauley Rivers in West Virginia since 1972. The New River Gorge has become prominent destination for thrill seekers from all over the world. The main events are the whitewater rafting season and Bridge Day.

#### FAYETTE COUNTY POPULATION AND AGE

Total population	47,952
Male	22,990
Female	34,962
White	44,697
African American	3,017
Hispanic	252
Asian	252
Native	62
Median Age	36.2
0-5	2,491
6 to 17	9,595
18 to 20	2,358
21 to 24	2,288
25 to 44	13,445
45 to 54	4,647
55 to 59	2,274
60 to 64	2,665
65 to 74	4,690
75 to 84	2,739
85 and up	760

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Source: US Census, 2000

## Population By Decade

DATE	POPULATION	POPULATION CHANGE	ANNUAL % CHANGE
1960	61,731	-20,712	-2.9
1970	49,332	-12,399	-2.2
1980	57,863	8,531	1.6
1990	47,952	-9,911	-1.9
2000	47,579	-373	-0.1

## Households

Total Households	18,945
Family Households	13,121
Non-Family Households	5,824
Persons 65 and Over, Living Alone	5,722
Average Household Size	2.41

## Housing

Total Housing Units	21,616
Occupied Housing Units	18,945
Owner Occupied Units	14,625
Renter Occupied Units	4,320

## Cost of Living Index

Fayette County's cost of living compares favorably with any American market. In addition, the services indexed are widely available.

Composite	69.9
Groceries	97.2
Housing	94.2
Utilities	100.2
Transportation	108.3
Miscellaneous	94.8

## Economic Climate

A major highway, historic buildings and national parklands make Fayette County's economic outlook promising. Economic opportunity, particularly among tourism-oriented investments, is at an all-time high, thanks to the presence of state and national parklands such as Gauley River National Recreation Area, New River Gorge, Sandstone Falls and Hawks Nest State Park. Several local colleges and a branch of West Virginia University support the economic transition. Business locations are plentiful and affordable.

**Surplus Workforce**

Workers living in Fayette County	17,410
Workers working in Fayette County	13,390
Workers working in other counties	4,396

**Economic Indicators**

Per Capita Income (2000)	\$18,027
Total Personal Income (1999)	\$856,563,000

**Employment and Wages Covered by Unemployment Compensation Programs**

Employment, Annual Average (2000)	12,059
Total Wage, Annual (2000)	\$278,287,953
Annual Wage, Annual Average (2000)	23,0377
Weekly Wage, Annual Average (2000)	\$443.79

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Source: Bureau of Employment Programs

## Employment and Unemployment Statistics

### Labor Force Statistics

	1997	1998	1999	2000	2001
<b>Civilian Labor Force</b>	18,190	17,810	17,690	17,450	17,290
<b>Total Employment</b>	16,500	16,160	15,880	15,980	16,130
<b>Total Unemployment</b>	1,680	1,650	1,820	1,470	1,160
<b>Unemployment Rate</b>	9.3	9.3	10.3	8.4	6.7

### Nonfarm Payroll Employment Industry

	1997	1998	1999	2000	2001
<b>Goods Producing</b>	2,070	2,050	1,930	1,800	1,720
<b>Mining</b>	600	500	310	220	250
<b>Coal Mining</b>	590	490	310	210	240
<b>Construction</b>	490	560	620	570	520
<b>Manufacturing</b>	970	1,000	1,010	1,010	960
<b>Durable Goods</b>	920	920	920	930	880
<b>Nondurable Goods</b>	60	80	90	80	80
<b>Service Producing</b>	11,690	11,690	11,340	11,430	11,450
<b>Transportation &amp; Public Utilities</b>	680	650	610	590	580
<b>Trade, Wholesale &amp; Retail</b>	2,770	2,770	2,900	2,940	2,930
<b>Finance, Insurance &amp; Real Estate</b>	410	390	370	360	340
<b>Services</b>	4,130	4,100	4,050	4,350	4,350
<b>Government</b>	3,710	3,780	3,420	3,250	3,250
<b>Federal</b>	310	290	290	290	290
<b>State and Local</b>	3,00	3,500	3,130	2,960	2,960

Source: Bureau of Employment Programs

## TOP TEN EMPLOYERS – FAYETTE COUNTY 2002

1. Fayette County Board of Education
2. West Virginia University Institute of Technology
3. Mount Olive Correctional Complex
4. Elkem Metals, Inc.
5. Plateau Medical Center, Inc.
6. Global Contact Services, LLC
7. Montgomery General Hospital
8. Wal-Mart Stores, Inc.
9. Cannelton Industry, Inc.
10. Georgia Pacific Corporation

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Source: Bureau of Employment Programs

### RECREATION

The region is rich with forests and national parklands. This area is quickly becoming part of one of the largest outdoor-recreation areas in the East. There are plenty of activities to take advantage of including whitewater rafting, kayaking, hiking, biking, fishing, hunting, climbing, skiing and golfing

### FACILITIES

Auditoriums	15	Stadiums	6
Baseball-Softball Fields	23	Tennis Courts – Indoor	0
Basketball Courts – Indoor	11	Tennis Courts – Outdoor	13
Basketball Courts – Outdoor	9	Theaters – Indoor	1
Swimming Pools	5	Theaters – Outdoor	0
Golf Courses	3	Playgrounds	15
Parks	8		

### Climate

Temperature (Degrees F) Mean Annual Average – 52

January Averages	High	40	Low	19
July Averages	High	82	Low	59

Long Term Precipitation (inches):

January	3.25	July	5.31	Annual	45.3
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Mean Annual Snowfall Range (inches): 35-55

## NEARBY METROPOLITAN CITIES

Charleston, WV	54 miles
Huntington, WV	102 miles
Roanoke, VA	159 miles

## TRANSPORTATION

Highway Servicing Area: I – 77	Motor Freight Carriers Available: yes
US Routes: 60, 19 (Corridor L)	Bus Service: Yes
WV Routes: 612, 211, 82, 61, 41, 39, 20, 16 and 6	Parcel Service: Yes
Available Industrial Parks: 1	River, Nearest Navigable: Kanawha
Railroads: CSXT, Nicholas, Fayette & Greenbrier, AMTRAK, Norfolk & Southern	

## UTILITIES AND SERVICES

*Electricity:* American Electric Power  
*Natural Gas:* WV Power Gas, Southern Public Service Gas  
*Telephone Service:* Verizon, Citizens Telecom

**APPENDIX B**

**FINANCIAL STATEMENTS**

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ARMSTRONG PUBLIC SERVICE DISTRICT  
KIMBERLY, WEST VIRGINIA

FINANCIAL REPORT

June 30, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT

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## ARMSTRONG PUBLIC SERVICE DISTRICT

## BOARD OF DIRECTORS

June 30, 2002

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Chairman	Thomas Bowen	4-1-05
Members	Charles Walker	4-1-06
	Judson Wallace	4-1-04

HOWARD M. CLOKE III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

I have audited the general purpose financial statements of the Armstrong Public Service District and the combining and individual fund financial statements, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Armstrong Public Service District as of June 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 26, 2002, on my consideration of the Armstrong Public Service District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization, and is not a required part of the general purpose financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT  
BALANCE SHEET  
June 30, 2002

	<u>Water</u>	<u>Sewer</u>
Assets:		
Current Assets:		
Cash	\$ 13,358	\$ 10,480
Accounts receivable	31,796	29,585
Due from other funds	-	<u>31,326</u>
Total Current Assets	<u>45,154</u>	<u>71,391</u>
Special Funds:		
Revenue account	52,421	-
Reserve account	28,692	69,595
Depreciation account	<u>2,364</u>	<u>2,278</u>
Total Restricted Assets	<u>83,477</u>	<u>71,873</u>
Fixed Assets:		
Utility plant	853,030	3,378,040
Construction in progress	756,489	-
Less: Accumulated Depreciation	<u>&lt;621,242&gt;</u>	<u>&lt;1,145,691&gt;</u>
Net Fixed Assets	<u>988,277</u>	<u>2,232,349</u>
 Total Assets	 <u>\$1,116,908</u>	 <u>\$2,375,613</u>
Liabilities and Fund Equity:		
Current Liabilities:		
Accounts payable	\$ 5,699	\$ 9,841
Note payable	9,819	-
Accrued taxes	5,465	757
Due to other funds	31,326	-
Customer deposits	18,650	16,850
Accrued interest	<u>12,312</u>	<u>946</u>
Total Current Liabilities	83,271	28,394
Long-Term Debt:		
Bonds payable	<u>726,209</u>	<u>708,254</u>
Total Liabilities	<u>809,480</u>	<u>736,648</u>
Fund Equity:		
Contributed capital	347,497	2,601,705
Retained Earnings	<u>&lt;40,069&gt;</u>	<u>&lt;962,740&gt;</u>
Total Fund Equity	<u>307,428</u>	<u>1,638,965</u>
 Total Liabilities and Fund Equity	 <u>\$1,116,908</u>	 <u>\$2,375,613</u>

See the accompanying notes to the financial statements.

<u>Total</u>	June 30, <u>2001</u>
\$ 23,838	\$ 50,614
61,381	45,881
<u>31,326</u>	<u>39,342</u>
<u>116,545</u>	<u>135,837</u>
52,421	47,921
98,287	89,374
<u>4,642</u>	<u>4,070</u>
<u>155,350</u>	<u>141,365</u>
4,231,070	4,242,790
756,489	860
<u>&lt;1,766,933&gt;</u>	<u>&lt;1,664,505&gt;</u>
<u>3,220,626</u>	<u>2,579,145</u>
<u>\$3,492,521</u>	<u>\$2,856,347</u>
\$ 15,540	\$ 16,287
9,819	-
6,222	4,006
31,326	39,342
35,500	27,656
<u>13,258</u>	<u>5,659</u>
111,665	92,950
<u>1,434,463</u>	<u>903,814</u>
<u>1,546,128</u>	<u>996,764</u>
2,949,202	2,725,313
<u>&lt;1,002,809&gt;</u>	<u>&lt;865,730&gt;</u>
<u>1,946,393</u>	<u>1,859,583</u>
<u>\$3,492,521</u>	<u>\$2,856,347</u>

See the accompanying notes to the financial statements.

ARMSTRONG PUBLIC SERVICE DISTRICT

STATEMENT OF INCOME, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 2002

	<u>Water</u>	<u>Sewer</u>
Operating Revenues:		
Charges for services	\$244,700	\$ 217,456
Penalties	7,382	6,570
Miscellaneous	<u>17,324</u>	<u>-</u>
Total Operating Revenues	<u>269,406</u>	<u>224,026</u>
Operating Expenses:		
Source of supply	21,750	-
Pumping	39,467	412
Treatment	23,046	-
Transmission and distribution	76,206	117,759
Customer accounts	21,749	-
Administrative and general	84,940	30,481
Depreciation	<u>30,530</u>	<u>100,790</u>
Total Operating Expenses	<u>297,688</u>	<u>249,442</u>
Operating Income	<u>&lt;28,282&gt;</u>	<u>&lt;25,416&gt;</u>
Other Income <Expense>:		
Interest income	2,451	324
Interest expense	<u>&lt;16,666&gt;</u>	<u>&lt;69,490&gt;</u>
Total Other Income <Expense>	<u>&lt;14,215&gt;</u>	<u>&lt;69,166&gt;</u>
Net Income <Loss>	<u>&lt;42,497&gt;</u>	<u>&lt;94,582&gt;</u>
Retained Earnings - Beginning of year	<u>2,428</u>	<u>&lt;868,158&gt;</u>
Retained Earnings - End of year	<u>\$&lt;40,069&gt;</u>	<u>\$&lt;962,740&gt;</u>

See the accompanying notes to the financial statements.

<u>Total</u>	<u>June 30,</u> <u>2001</u>
\$ 462,156	\$ 432,962
13,952	13,005
<u>17,324</u>	<u>9,027</u>
<u>493,432</u>	<u>454,994</u>
21,750	14,938
39,879	32,034
23,046	17,381
193,965	173,311
21,749	14,938
115,421	105,675
<u>131,320</u>	<u>129,957</u>
<u>547,130</u>	<u>488,234</u>
<u>&lt;53,698&gt;</u>	<u>&lt;33,240&gt;</u>
2,775	6,364
<u>&lt;86,156&gt;</u>	<u>&lt;79,941&gt;</u>
<u>&lt;83,381&gt;</u>	<u>&lt;73,577&gt;</u>
<137,079>	<106,817>
<u>&lt;865,730&gt;</u>	<u>&lt;758,913&gt;</u>
<u>\$&lt;1,002,809&gt;</u>	<u>\$ &lt;865,730&gt;</u>

See the accompanying notes to the financial statements.

ARMSTRONG PUBLIC SERVICE DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2002

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash from customers attributable to operating revenues	\$260,371
Less: Cash paid for operation & maintenance expenses	<265,501>
Cash paid for taxes other than income taxes	<u>&lt;9,135&gt;</u>
Subtotal	<14,265>
Interest received	2,451
Interest paid	<u>&lt;9,247&gt;</u>
Net Cash Provided by Operating Activities	<u>&lt;21,061&gt;</u>
Cash Flows from Investing Activities:	
Contributions in aid of construction	223,889
Disposal <acquisition> of noncurrent assets	<5,767>
Additions to utility plant	<u>&lt;773,661&gt;</u>
Net Cash Used in Investing Activities	<u>&lt;555,539&gt;</u>
Cash Flows from Capital and Other Related Financing Activities:	
Long-term debt	539,207
Increase <decrease> in customer deposits	4,044
Short-term deposits	<u>9,819</u>
Net Cash Used in Capital and Other Related Financing Activities	<u>553,070</u>
Net increase <decrease> in cash and cash equivalents	<23,530>
Cash and cash equivalents - beginning of year	<u>36,888</u>
Cash and cash equivalents - end of year	<u>\$ 13,358</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Net Income <Loss>	\$<42,497>
Depreciation	30,530
<Increase> decrease in receivables	<9,035>
Increase <decrease> in accounts payable	<9,657>
Increase <decrease> in interest accrued	7,419
Increase <decrease> in accrued taxes	<u>2,179</u>
Net Cash Provided by Operating Activities	<u>\$&lt;21,061&gt;</u>

See the accompanying notes to the financial statements.

<u>Sewer</u>	<u>Total</u>	<u>June 30,</u> <u>2001</u>
\$ 224,466	\$ 484,837	\$ 459,014
<145,253>	<410,754>	<351,339>
<u>&lt;1,357&gt;</u>	<u>&lt;10,492&gt;</u>	<u>&lt;6,904&gt;</u>
77,856	63,591	100,771
324	2,775	6,364
<u>&lt;69,310&gt;</u>	<u>&lt;78,557&gt;</u>	<u>&lt;80,049&gt;</u>
<u>8,870</u>	<u>&lt;12,191&gt;</u>	<u>27,086</u>
-	223,889	1,275
<8,218>	<13,985>	<20,243>
<u>860</u>	<u>&lt;772,801&gt;</u>	<u>&lt;7,376&gt;</u>
<u>&lt;7,358&gt;</u>	<u>&lt;562,897&gt;</u>	<u>&lt;26,344&gt;</u>
<8,558>	530,649	<17,860>
3,800	7,844	676
<u>-</u>	<u>9,819</u>	<u>-</u>
<u>&lt;4,758&gt;</u>	<u>548,312</u>	<u>&lt;17,184&gt;</u>
<3,246>	<26,776>	<16,442>
<u>13,726</u>	<u>50,614</u>	<u>67,056</u>
<u>\$ 10,480</u>	<u>\$ 23,838</u>	<u>\$ 50,614</u>
\$ <94,582>	\$ <137,079>	\$ <106,817>
100,790	131,320	129,957
1,551	<7,484>	9,196
894	<8,763>	<5,549>
180	7,599	<108>
<u>37</u>	<u>2,216</u>	<u>407</u>
<u>\$ 8,870</u>	<u>\$ &lt;12,191&gt;</u>	<u>\$ 27,086</u>

See the accompanying notes to the financial statements.

## ARMSTRONG PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Significant Accounting Policies

The Armstrong Public Service District is a public corporation and a political subdivision of the state of West Virginia by order of the County Court of Fayette County, West Virginia.

The District's books are maintained on the accrual basis of accounting. Revenues are recorded on the basis of services delivered through the report period ending date. Tap fees are recorded as contributions.

Property, Plant, and Equipment and Depreciation - Property Plant, and Equipment assets are stated at cost. The District provides for depreciation of Property, Plant, and Equipment on the straight-line method based upon estimated service lives.

Accounts Receivable - The District used the specific write-off method in recording uncollectible accounts, which does not result in amounts that differ materially from the allowance method required by generally accepted accounting principles. Since bad debts have historically not been material, no allowance for uncollectible accounts has been provided at June 30, 2002.

Note 2. Long-Term Debt

The following is a summary of bonds and notes payable at June 30, 2002:

Revenue Bonds

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Note Amount</u>	<u>Principal Repaid</u>	<u>Amount Outstanding</u>
1972	2014	5.0	338,000	161,791	<u>176,209</u>
Total bonds payable at June 30, 2002					<u>176,209</u>

Notes Payable

<u>Note and Date</u>	<u>Interest Rates</u>	<u>Note Amount</u>	<u>Principal Repaid</u>	<u>Principal Outstanding</u>
USDA - RUS 3-85	9.75	778,000	69,746	708,254
USDA - RUS 5-02	4.5	550,000	-	<u>550,000</u>
Total notes payable at June 30, 2002				<u>1,258,254</u>

## Public Service District Authority and Board Membership

(1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district;

(2) The county commission may, on its own motion or on the basis of a proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action.

From and after the date of adoption of the order creating any public service district, it becomes public corporation and political subdivision of the state, but lacks any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, be sued, adopt an official seal and enter into contracts necessary or incidental to its purposed, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing sewage disposal service of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein of a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of a district.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2002 A Bonds.

<u>Year</u>	<u>Series 2002*</u>
2002	
2003	
2004	
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
Totals	

\* Does not consider annual earnings on the DSR fund

The following is a 5 year redemption schedule for the various notes and bonds payable:

<u>Year</u>	<u>1972 Series</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>5% Interest</u>	
2003	11,000	8,535	19,535
2004	11,000	7,985	18,985
2005	12,000	7,410	19,410
2006	13,000	6,785	19,785
2007	13,000	6,135	19,135
Thereafter	<u>116,209</u>	<u>21,115</u>	<u>137,324</u>
	176,209	57,965	234,174

USDA - Rural Utilities

<u>Year</u>	<u>Principal</u>	<u>9.75% Interest</u>	<u>Total Debt Service</u>
02-03	9,218	68,650	77,868
03-04	10,158	67,710	77,868
04-05	11,194	66,674	77,868
05-06	12,335	65,533	77,868
06-07	13,593	64,275	77,868
Thereafter	<u>651,756</u>	<u>706,027</u>	<u>1,357,783</u>
Totals	708,254	1,038,869	1,747,123

USDA - RUS

<u>Year</u>	<u>Principal</u>	<u>4.5% Interest</u>	<u>Total Debt Service</u>
02-03	-	24,750	24,750
03-04	-	24,750	24,750
04-05	5,605	24,635	30,240
05-06	5,862	24,378	30,240
06-07	6,131	24,109	30,240
Thereafter	<u>532,402</u>	<u>525,619</u>	<u>1,058,021</u>
	550,000	648,241	1,198,241

Note 3. Public Employees Retirement Fund

Plan Description

The entity's employees participate in the Public Employees Retirement System of West Virginia. This plan is a cost sharing multiple-employer public employee retirement system created by the State of West Virginia.

All (full-time) employees, except uniformed employees covered by other pension plans, must participate once the government has made the election to become a member in the PERS. Among employees not eligible for plan membership are members (and retirees) of other state retirement systems; however, retirees from the Department of Public Safety or municipal police and fire departments are eligible to participate. The system provides for vesting benefits after 5 years of creditable service.

Employees may retire with full benefits at age 60 with a minimum of 5 years of credited service or when the members' age plus their years of service is equal to or greater than 80 provided that the employee has reached age 55. An individual with 5 or more years of consecutive years of service who terminates employment prior to retirement can choose to leave contributions with the system and will be eligible for retirement benefits at age 62. Members are entitled to a yearly retirement benefit of 2% of their highest averaged salary over 3 consecutive years out of the last 10 years of earnings multiplied by the years of service. Payments are made monthly to the retiree and the retiree can choose from 3 retirement options.

In accordance with state statutes, the entity's full-time employees are required to contribute 4.5 percent of their annual salary to PERS. The entity is required to contribute an additional 9.5 percent for a total of 14 percent for each members' salary. The actuarially determined contribution requirements and contributions made totaled \$13,356 with \$4,293 from the employee and \$9,063 from the employer representing 4.5 percent and 9.5 percent of covered payroll, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of PERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among government pension plans and employers. PERS does not make separate measurements of assets and pension benefit obligations or separate employers. The benefit obligation for PERS as a whole at June 30, 1996, was \$2,382 million.

The plan's net assets available for benefits on that date (at market) were \$1,988.6 million, resulting in an unfunded pension benefit obligation of \$393.4 million.

Ten-year trend information relating to the accumulation of assets and the unfunded liability is available from the Consolidated Retirement Board.

Note 4. Changes in Fixed Assets

The following is a summary of the changes in proprietary fund types property, plant and equipment:

	<u>Water Fund</u>			
	<u>Balance at June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Land	\$ 10,505	\$ -	\$ -	\$ 10,505
Buildings	71,452	-	-	71,452
Machinery and Equipment	782,557	17,408	28,892	771,073
Construction in progress	<u>236</u>	<u>756,253</u>	<u>-</u>	<u>756,489</u>
Total	<u>\$864,750</u>	<u>\$773,661</u>	<u>\$28,892</u>	<u>\$1,609,519</u>

	<u>Sewer Fund</u>			
	<u>Balance at June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Land	\$ 12,350	\$ -	\$ -	\$ 12,350
Machinery and Equipment	3,344,690	-	-	3,344,690
Construction in progress	860	-	860	-
Intangibles	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Total	<u>\$3,378,900</u>	<u>\$ -</u>	<u>\$ 860</u>	<u>\$3,378,040</u>

ARMSTRONG PUBLIC SERVICE DISTRICT  
For the Fiscal Year Ended June 30, 2002

AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES IN  
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

HOWARD M. CLOKE III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY SCHEDULES  
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

I have audited the general purpose financial statements of the Armstrong Public Service District and the combining and individual financial statements as of and for the year ended June 30, 2002, and have issued my report thereon dated September 26, 2002. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the U.S. Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion of the general purpose financial statements, and the combining and individual fund financial statements taken as a whole. The information included in the accompanying supplementary schedules for the year ended June 30, 2002, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the examination of the general purpose, combining and individual fund financial statements, and in my opinion, is fairly stated in all material respects in relation to the general purpose combining, and individual fund financial statements taken as a whole.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT  
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
 For the Fiscal Year Ended June 30, 2002

	<u>Federal Assistance Programs</u>	
	<u>Dept. of Agriculture RUS</u>	<u>Appalachian Regional Commission</u>
CFDA#	<u>10.760</u>	<u>23.002</u>
Amount	\$550,000	604,000
Revenues:		
Intergovernmental:		
Federal	<u>\$550,000</u>	<u>206,289</u>
Total Revenues	<u>550,000</u>	<u>206,289</u>
Expenditures:		
Capital Projects	<u>550,000</u>	<u>206,289</u>
Total Expenditures	<u>550,000</u>	<u>206,289</u>
Revenues recognized in prior years	<u>-</u>	<u>-</u>
Expenditures incurred in prior years	<u>-</u>	<u>-</u>

See the accompanying notes to the financial statements.

ARMSTRONG PUBLIC SERVICE DISTRICT

For the Fiscal Year Ended June 30, 2002

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Howard M. Cloke III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

I have audited the general purpose financial statements of the Armstrong Public Service District as of and for the year ended June 30, 2002, and have issued my report thereon dated September 26, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Armstrong Public Service District's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Armstrong Public Service District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT  
For the Fiscal Year Ended June 30, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Howard M. Cloke III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

Compliance

I have audited the compliance of the Armstrong Public Service District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, the Armstrong Public Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Armstrong Public Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NONE

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL  
[LETTERHEAD OF STEPTOE & JOHNSON PLLC]

December \_\_, 2002

Armstrong Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Armstrong Public Service District  
Kimberly, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Armstrong Public Service District (West Virginia) (the "Issuer") of its \$\_\_\_\_\_ in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on December 5, 2002, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December \_\_, 2002 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated December \_\_, 2002, upon original issuance, mature on \_\_\_\_\_ 1 in years and amounts and bear interest payable each \_\_\_\_\_ 1 and \_\_\_\_\_ 1, commencing \_\_\_\_\_ 1, 2003, as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
-----------------	---------------	--------------------------

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Resolution.

The Resolution provides that the issue is for the purposes of paying a portion of the costs necessary to (i) current refund all of the Issuer's outstanding Sewer Revenue Bond, Series 1985, dated March 26, 1985, issued in the original aggregate principal amount of \$778,000, of which \$\_\_\_\_\_ is presently outstanding (the "Series 1985 Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated December \_\_, 2002, and accepted by the Issuer (the "Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Purchaser and other entities contained in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer, the Purchaser and other entities pertaining to tax matters set forth in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Continuing Disclosure Agreement and the Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement and the Continuing Disclosure Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

4. Under the laws, regulations, published rulings and judicial decisions of the United States of America existing on the date hereof, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution, and the Tax and Non-Arbitrage Certificate. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in paragraph 5.

5. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2002. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

7. The Series 1985 Bonds have been paid within the meaning and with the effect expressed in the 1985 Resolution and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1985 Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the United States Department of Agriculture, Rural Utilities Service, relating to the receipt of the monies to provide for the payment on December \_\_, 2002 of the principal of and all interest accrued on the Series 1985 Bonds.

8. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

9. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, all in accordance with the terms of the Bonds and the Resolution.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Resolution, the Continuing Disclosure Agreement and the Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond Nos. AR-1 and AR-\_\_ of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**CONTINUING DISCLOSURE CERTIFICATE**

**ARMSTRONG PUBLIC SERVICE DISTRICT**  
as Issuer,

Dated as of December 1, 2002

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THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made and entered into as of the 1<sup>st</sup> day of December, 2002, by ARMSTRONG PUBLIC SERVICE DISTRICT (the "Issuer").

RECITALS:

WHEREAS, the Issuer has issued or will issue its \$785,000 Sewer Refunding Revenue Bonds, Series 2002 (the "Bonds"), pursuant to a Bond Resolution approved on December 5, 2002 (the "Resolution"), to (i) refund the District's Sewer Revenue Bond, Series 1985; (ii) fund a debt service reserve for the Series 2002 A Bonds; and (iii) to pay costs relating to the issuance of the Series 2002 A Bonds; and

WHEREAS, the Series 2002 A Bonds have been offered and sold pursuant to a Preliminary Official Statement dated December 6, 2002, and an Official Statement dated December \_\_, 2002 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated as of December 1, 2002 (the "Bond Purchase Agreement"), with respect to the sale of the Series 2002 A Bonds, with the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Issuer wishes to provide for the disclosure of certain information concerning the Series 2002 A Bonds and other matters on a continuing basis as set forth herein for the benefit of the Bondholders in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Resolution, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

**Section 1. Definitions; Scope of this Certificate.**

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Resolution, as amended and supplemented from time to time. In addition, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean annual financial information and operating data customarily prepared by the Issuer and which is publicly available and which appears in the Offering Document. The Issuer customarily prepares audited annual financial information using generally accepted accounting procedures, provided however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. This Annual Financial Information is customarily available to the public.

"Disclosure Representative" shall mean the Chairman of the Issuer, and any successor thereto, or such other person as the Issuer may from time to time designate in writing.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall mean, as to the Issuer, any of the events listed in items (i) through (xii) below, the occurrence of which the Issuer and/or the Disclosure Representative obtains knowledge, and which the Issuer or Disclosure Representative determines would constitute material information for Bondholders, provided, that the occurrence of an event described in clauses (iii), (v), (vi), (vii), (x), (xi) and (xii) shall always be deemed to be material. The following events, if material, shall constitute Material Events:

- (i) any delinquency in the payment of principal of or interest on the Series 2002 A Bonds;
- (ii) any nonpayment related Event of Default under the Resolution;
- (iii) the occurrence of any unscheduled draws on any debt service reserve fund or account under the Resolution reflecting financial difficulties;
- (iv) the occurrence of any unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) any substitution of credit or liquidity providers or the failure of any such credit or liquidity providers to perform;
- (vi) any adverse tax opinions or other events affecting the exclusion from gross income of the interest on the Series 2002 A Bonds;
- (vii) any modifications of the rights of any Bondholder;
- (viii) the notice to the Bondholders of any optional or other unscheduled redemption;
- (ix) the defeasance of any Bonds;
- (x) the release, substitution or sale of property securing the repayment of the Series 2002 A Bonds;
- (xi) any change in any rating provided by a nationally recognized municipal securities rating agency on the Series 2002 A Bonds; and
- (xii) any other material event affecting the Series 2002 A Bonds or the Issuer.

"NRMSIR" shall mean all of the Nationally Recognized Municipal Securities Information Repositories as of the date hereof, as set forth in EXHIBIT A hereto, and all future Nationally

Recognized Municipal Securities Information Repositories approved by the SEC from time to time.

"Participating Underwriter" shall mean the original underwriter of the Series 2002 A Bonds required to comply with the Rule in connection with the offering of the Series 2002 A Bonds.

"Release" shall mean Securities and Exchange Commission Release No. 34-34961.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository, as such term is used in the Release, if and when a SID is created for the State.

"State" shall mean the State of West Virginia.

"Turn Around Period" shall mean two (2) business days with respect to Material Event occurrences disclosed by the Issuer to the Disclosure Representative, or, which otherwise become known to the Disclosure Representative.

(B) This Certificate applies to the Series 2002 A Bonds and any additional bonds or other obligations issued under the Resolution or any supplement thereto.

(C) The Disclosure Representative shall have no obligation to make disclosure in connection with the Series 2002 A Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Representative under any other agreement with the Issuer.

## **Section 2. Disclosure of Information.**

(A) General Provisions. This Certificate governs the Issuer's direction to the Disclosure Representative, with respect to information to be made public and in its actions under this Certificate.

(B) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 3 hereof, the Issuer shall make or cause the Disclosure Representative to make public the information set forth in subsections (1) and (2) below:

(1) Annual Financial Information. Annual Financial Information of the Issuer at least annually not later than December 31 (the "Disclosure Date"), beginning with the fiscal year ended June 30, 2002, and continuing with each fiscal year thereafter, shall be subject to disclosure. The Disclosure Representative shall, on behalf of the Issuer, provide Annual Financial Information to the NRMSIR and SID not later than the Disclosure Date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual

Financial Information.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(C) Information Provided by Disclosure Representative to Public.

(1) The Issuer directs the Disclosure Representative on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Representative agrees to act as the Issuer's agent in so making public, as regards the operations of the Issuer, the following:

- (a) Annual Financial Information;
- (b) Material Event occurrences; and
- (c) such other information as the Issuer shall determine to make public through the Disclosure Representative.

The Issuer shall provide such information to the Disclosure Representative in the form required by subsection (C)(2) of this Section 2. If the Issuer chooses to include any information in any financial information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future financial information report or notice of occurrence of a Material Event.

(2) The information, which the Issuer has agreed to make public, shall be in the following form:

- (a) as to all notices, reports and financial statements to be provided to the Disclosure Representative by the Issuer, in the form of notice required by the Resolution, this Certificate or other applicable document or agreement; and
- (b) as to all other notices or reports, in such form as the Disclosure Representative shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Representative shall make public the Annual Financial Information and Material Event occurrences within the applicable Turn Annual Period. Notwithstanding the foregoing, Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Issuer to the Disclosure Representative has not been provided on a timely basis, the Disclosure Representative shall make such information public as soon thereafter as it is provided to the Disclosure Representative.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Issuer or the Disclosure Representative under this Certificate if it is transmitted to one or more of the following as provided in subsection (D)(2) of this Section 2:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Resolution;

(b) to each NRMSIR, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a NRMSIR by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the NRMSIR;

(c) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a SID by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SID;

(d) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the MSRB by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the MSRB; and/or

(e) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the SEC by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Material Events shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(b) any notice of a failure by the Issuer to provide required Annual Financial Information, on or before the date required by this Certificate shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(c) any other information which the Issuer decides to make public shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State); and

(d) all information described in clauses (a) and (b) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request.

Nothing in this subsection shall be construed to relieve the Registrar and Paying Agent under the Resolution, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Resolution, but nothing herein shall be construed to require the them to take any actions other than those set forth in the Resolution.

Nothing in this Certificate shall be construed to require the Disclosure Representative to interpret or provide an opinion concerning the information made public. If the Disclosure Representative receives a request for an interpretation or opinion, the Disclosure Representative may refer such request to the Issuer for response.

### **Section 3. Amendment or Modification.**

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate (and the Disclosure Representative shall agree to any amendment so requested by the Issuer) and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws acceptable to the Issuer to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

### **Section 4. Miscellaneous.**

(A) Compliance with Prior Continuing Disclosure Certificates. The Issuer certifies that, except as is set forth in the Preliminary Official Statement and the Official Statement, it is as of the date hereof in compliance with the provisions of all continuing disclosure certificates or similar agreements or certificates heretofore delivered in connection with the issuance of any prior bonds.

(B) Representations. The Issuer represents and warrants (i) that it has duly authorized the execution and delivery of this Certificate by its Chairman, (ii) that it has all requisite power and authority to execute and deliver, and perform this Certificate under its organizational documents and any resolutions now in effect, (iii) that the execution and delivery of this Certificate, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, resolution, decree, agreement or instrument by which it is bound, and (iv) that it is not aware of any litigation or proceeding pending, or, to the best of its knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Certificate, or its due authorization, execution and delivery of this Certificate, or otherwise contesting or questioning the issuance of the Series 2002 A Bonds.

(C) Governing Law. This Certificate shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any

other federal or state agency or regulatory body with jurisdiction over the Series 2002 A Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Certificate shall be interpreted and construed in a manner consistent therewith.

(D) Severability. If a court of competent jurisdiction hereof shall hold any provision invalid or unenforceable, the remaining provisions hereof shall survive and continue in full force and effect.

(E) Counterparts. This Certificate may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(F) Termination. This Certificate may be terminated by the Issuer upon thirty days' written notice of termination, provided that notice of the termination of this Certificate is provided to each NRMSIR, the appropriate SID, if any, and/or the MSRB and further provided that nationally recognized bond counsel provides an opinion that the new continuing disclosure certificate is in compliance with all State and Federal Securities laws; provided, however, the termination of this Certificate is not effective until the Issuer, or its successor, enters into a new continuing disclosure certificate and agrees to continue to provide, to each NRMSIR, SID and/or the MSRB and the Bondholders of the Series 2002 A Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB.

This Certificate shall terminate when all of the Series 2002 A Bonds are or are deemed to be no longer outstanding by reason of redemption or defeasance or at maturity, or if the Rule should be changed so as to no longer require this Certificate.

(G) Defaults: Remedies. The Issuer shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If a default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to the Issuer, the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds shall, or any Bondholder may, take such actions as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Issuer to comply with its obligations under this Certificate. The Issuer acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder; and, therefore, agrees that the remedy of specific performance shall be the sole remedy available in any proceeding to enforce this Certificate. The occurrence of any event of default as provided in this Certificate shall not constitute an event of default under the Resolution.

(H) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Representative, the Participating Underwriter and Bondholders and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Issuer has caused it duly authorized officer to execute this Certificate as of the day, month and year first have been written.

ARMSTRONG PUBLIC SERVICE DISTRICT

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

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of December 1, 2002:

### **Bloomberg Municipal Repository**

100 Business Park Drive

Skillman, New Jersey 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)

Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

### **DPC Data Inc.**

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

<http://www.dpcdata.com>

Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

### **FT Interactive Data**

Attn: NRMSIR

100 William Street

New York, New York 10038

Phone: (212) 771-6999

Fax: (212) 771-7390 (Secondary Market Information)

(212) 771-7391 (Primary Market Information)

<http://www.interactivedata.com>

Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

### **Standard & Poor's J. J. Kenny Repository**

55 Water Street

45th Floor

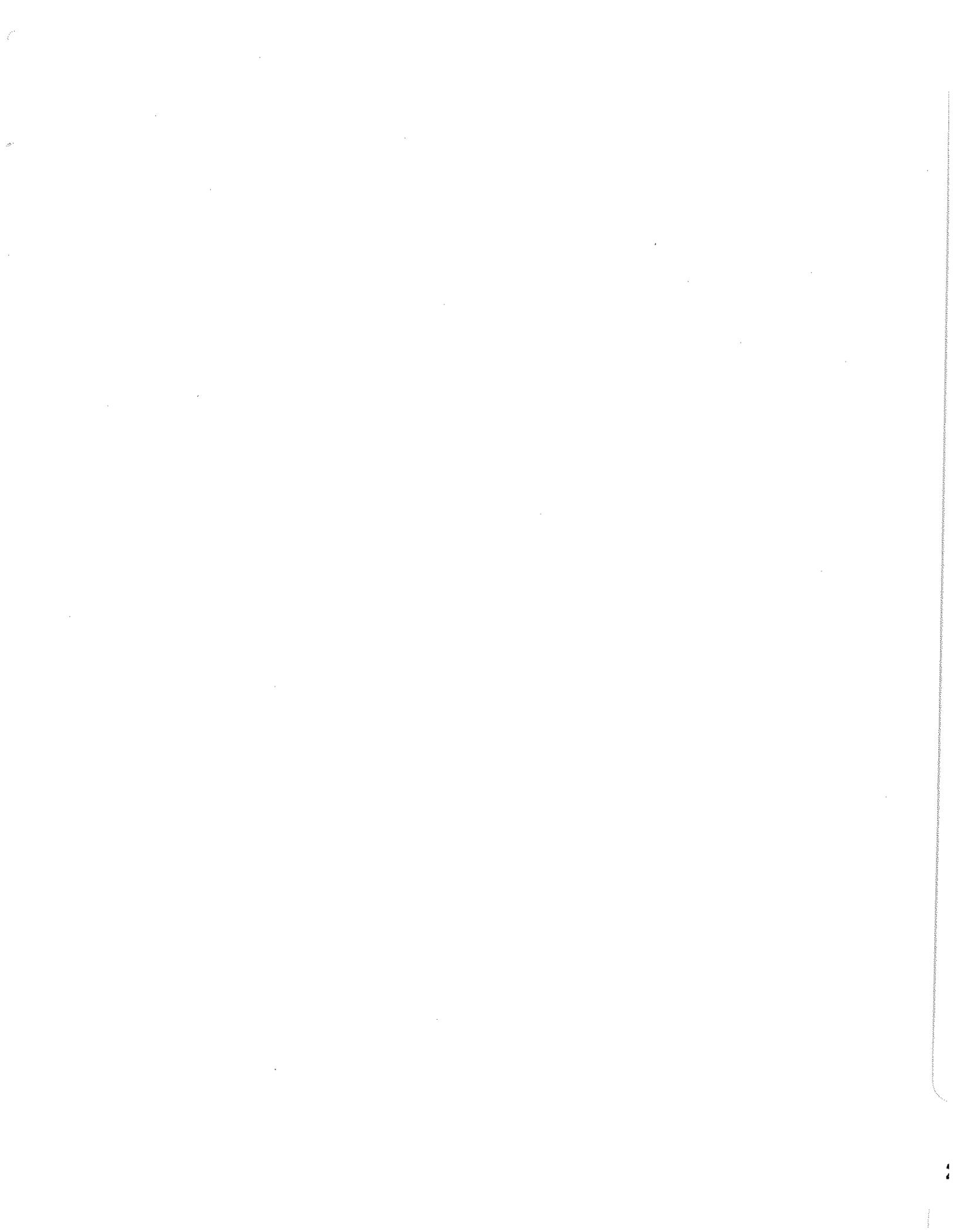
New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)

Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)





NEW ISSUE

*In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2002 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2002 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the laws of the State of West Virginia, the Series 2002 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2002 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia (see "Tax Matters" herein).*

**\$785,000**  
**ARMSTRONG PUBLIC SERVICE DISTRICT**  
**SEWER REFUNDING REVENUE BONDS**  
**SERIES 2002 A**

Dated: December 1, 2002

Due: April 1, as shown below

The Series 2002 A Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. All of the Series 2002 A Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2002 A Bonds will be in book-entry form only. Semiannual interest on the Series 2002 A Bonds is payable beginning April 1, 2003, and each April 1 and October 1 thereafter. So long as the Series 2002 A Bonds are maintained under a book-entry system, payments of the principal of, premium, if any, and interest on the Series 2002 A Bonds will be made when due by the Municipal Bond Commission of West Virginia, Charleston, West Virginia, as Paying Agent, to DTC in accordance with the Resolution and any Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2002 A Bonds. See "THE SERIES 2002 A BONDS" and "BOOK-ENTRY ONLY SYSTEM." The Series 2002 A Bonds are subject to redemption prior to maturity as described herein.

The Series 2002 A Bonds are being issued, together with other funds available therefor, to: (i) provide funds in the amount of \$62,940 to be deposited in the Series 2002 A Bonds Reserve Account which will equal the maximum annual debt service on the Series 2002 A Bonds; (ii) provide funds to current refund the outstanding Armstrong Public Service District (the "District"), Sewer Revenue Bond, Series 1985; and (iii) pay certain costs of issuance of the Series 2002 A Bonds and related costs.

The Series 2002 A Bonds are payable from and further secured by the Net Revenues derived from the existing sewer system of the District and any extensions, improvements and betterments thereto and from funds on deposit in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein. The Series 2002 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the principal of, premium, if any, and interest on the Series 2002 A Bonds, except from the Net Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power, if any, of the District shall be deemed to be pledged to, nor shall any tax be levied for, the payment of the principal of, premium, if any, or interest on the Series 2002 A Bonds.

The District has designated the Series 2002 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<b>\$125,000</b>	<b>4.000%</b>	<b>Series 2002 Term Bonds due April 1, 2008 at 100%</b>
<b>\$140,000</b>	<b>4.700%</b>	<b>Series 2002 Term Bonds due April 1, 2013 at 100%</b>
<b>\$180,000</b>	<b>5.100%</b>	<b>Series 2002 Term Bonds due April 1, 2018 at 97.915%</b>
<b>\$180,000</b>	<b>5.500%</b>	<b>Series 2002 Term Bonds due April 1, 2022 at 97.669%</b>
<b>\$160,000</b>	<b>5.600%</b>	<b>Series 2002 Term Bonds due April 1, 2025 at 97.506%</b>

(Accrued interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2002 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Hamilton, Burgess, Young & Pollard, pllc, Fayetteville, West Virginia, as counsel to the District, will pass on certain legal matters for the District, including proceedings regarding the Public Service Commission of West Virginia. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2002 A Bonds will be available for delivery in New York, New York, on or about December 23, 2002.

**Crews & Associates, Inc.**

Dated: December 12, 2002

**ARMSTRONG PUBLIC SERVICE DISTRICT, WEST VIRGINIA**

**PUBLIC SERVICE BOARD**

Thomas Bowen, Chairman  
Charles Walker, Member  
Judson Wallace, Member  
Beverly Middleton, Secretary  
Robin Mitchell, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Charleston, West Virginia

**DISTRICT'S COUNSEL**

Hamilton, Burgess, Young & Pollard, pllc  
Fayetteville, West Virginia

**ACCOUNTANT**

Howard W. Cloke, III  
Barboursville, West Virginia

**UNDERWRITER**

Crews & Associates, Inc.  
Little Rock, Arkansas

**UNDERWRITER'S COUNSEL**

Goodwin & Goodwin, LLP  
Charleston, West Virginia

**DEPOSITORY BANK**

City National Bank  
Montgomery, West Virginia

**REGISTRAR**

United Bank, Inc.  
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2002 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by Armstrong Public Service District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from Armstrong Public Service District and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Armstrong Public Service District as it relates to the System since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2002 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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and the method of providing notice of redemption to the owners of the Series 2002 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2002 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2002 A BONDS" herein.

For a description of the exclusion of interest on the Series 2002 A Bonds from gross income for federal and state income tax purposes, see "TAX MATTERS" herein.

The District may issue additional bonds on parity with the Series 2002 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds issued pursuant to the Resolution subject, in each case, to certain tests and conditions provided for by the Resolution (the Series 2002 A Bonds and any such additional parity bonds are hereinafter referred to as the "Bonds"). See "SECURITY FOR THE SERIES 2002 A BONDS - Additional Parity Bonds."

The Series 2002 A Bonds are offered when, as and if issued and received on behalf of the Underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. Hamilton, Burgess, Young & Pollard, pllc, Fayetteville, West Virginia, will pass upon certain legal matters for the District, including proceedings regarding the Public Service Commission of West Virginia. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2002 A Bonds, the District and certain provisions of the Resolution and the Act, as defined in the Resolution and hereinafter, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2002 A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Resolution. Copies of the Resolution and other applicable documents may be obtained from the District or, during the period of offering the Series 2002 A Bonds, from the Underwriter.

## FINANCING PLAN

### Sources and Uses of Funds

#### Sources of Funds:

Principal Amount of Series 2002 A Bonds	\$785,000.00
Accrued Interest	2,421.22
Transfer from Prior Bond Reserve Account	<u>72,914.94</u>
Total Sources	<u>\$860,336.16</u>

#### Uses of Funds:

Repayment of Series 1985 Bonds	\$716,441.41
Series 2002 A Bonds Reserve Account	62,940.00
Original Issue Discount	11,939.20
Underwriter's Discount	25,000.00
Accrued Interest	2,421.22
Costs of Issuance (1)	<u>41,594.33</u>
Total Uses	<u>\$860,336.16</u>

(1) Includes legal and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2002 A Bonds.

### THE SERIES 2002 A BONDS

#### General

The Series 2002 A Bonds are dated and bear interest from December 1, 2002, upon original issuance. Any Series 2002 A Bond issued in exchange on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof unless the date of authentication is an interest payment date on which interest on said Series 2002 A Bond shall have been paid in full or duly provided for, in which case said Series 2002 A Bond shall be dated such date of authentication; or unless, as shown by the records of the Registrar, as defined below, interest on such Series 2002 A Bond shall be in default, in which case any Series 2002 A Bond issued in exchange for a Series 2002 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2002 A Bonds will bear interest from their date, payable semiannually on each April 1 and October 1, commencing April 1, 2003, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2002 A Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. The Series 2002 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2002 A Bonds and payments of principal of, redemption price, if any, and interest on the Series 2002 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2002 A Bonds will be payable by check or draft made

payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date or, in the event of a default in the payment of the Series 2002 A Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date (the "Record Date"). If the book-entry system is discontinued, principal of, premium, if any, and interest on the Series 2002 A Bonds will be payable to the owner thereof upon surrender thereof at the principal corporate trust department office of the Paying Agent.

So long as the Series 2002 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2002 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2002 A Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2002 A Bond, there will be issued another Series 2002 A Bond or Series 2002 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2002 A Bond. For every exchange or transfer of Series 2002 A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The District shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

#### Optional Redemption

The Series 2002 A Bonds maturing on or after April 1, 2013, at the option of the District, will be subject to redemption prior to maturity on or after April 1, 2008, as a whole or in part at any time, at a redemption price (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued interest to the date fixed for redemption:

#### Period During Which Redeemed (both dates inclusive)

Redemption Date	Redemption Price
April 1, 2008 - March 31, 2009	102%
April 1, 2009 - March 31, 2010	101
April 1, 2010 and thereafter	100

If fewer than all of the Series 2002 A Bonds shall be called for optional redemption, the particular maturities of the Series 2002 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2002 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2002 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

#### Sinking Fund Redemption

The Series 2002 A Bonds maturing April 1, 2008, April 1, 2013, April 1, 2018, April 1, 2022, and April 1, 2025, shall be subject to mandatory redemption prior to maturity in part from

moneys on deposit in the Series 2002 A Bonds Sinking Fund at redemption prices equal to 100% of the principal amounts thereof, plus accrued interest to the mandatory redemption dates, on the dates and in the amounts set forth below:

Series 2008 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$10,000	2006	\$25,000
2004	20,000	2007	25,000
2005	20,000	2008*	25,000

Series 2013 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	\$25,000	2012	\$30,000
2010	25,000	2013*	30,000
2011	30,000		

Series 2018 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2014	\$30,000	2017	\$40,000
2015	35,000	2018*	40,000
2016	35,000		

Series 2022 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$40,000	2021	\$45,000
2020	45,000	2022*	50,000

Series 2025 Term Bonds

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$50,000	2025*	\$55,000
2024	55,000		

The principal amount of Series 2002 A Bonds maturing April 1, 2008, April 1, 2013, April 1, 2018, April 1, 2022, and April 1, 2025, delivered to or purchased by the Commission shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

\*Stated maturity.

Notice of Redemption

So long as the Series 2002 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2002 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any

proceedings for the redemption of the Series 2002 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2002 A Bond with respect to which no such failure has occurred. After notice of redemption has been given in the manner hereinabove and in the Resolution described and moneys necessary therefor have been deposited, the Series 2002 A Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

### **BOOK-ENTRY ONLY SYSTEM**

The information in this section has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

#### **The Depository Trust Company**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2002 A Bonds. The Series 2002 A Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered certificate of the Series 2002 A Bonds will be issued for each maturity of the Series 2002 A Bonds in the principal amount equal to the aggregate principal amount of the Series 2002 A Bonds of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

#### **Ownership of Series 2002 A Bonds**

Purchases of the Series 2002 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002 A Bonds on DTC's records. The ownership interest of the actual purchasers of each Series 2002 A Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic

statements of their holdings, from the Participants through which the Beneficial Owners entered to the transaction. Transfers of ownership interests in the Series 2002 A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2002 A Bonds except in the event that use of the book-entry system for the Series 2002 A Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2002 A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2002 A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002 A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the District as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2002 A Bonds, references herein to the Bondholders or the holders or owners of the Series 2002 A Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2002 A Bonds. The District and the Paying Agent will recognize DTC or its nominee as the holder of all of the Series 2002 A Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2002 A Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Resolution. Neither the District nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

#### Payments on and Redemption of Series 2002 A Bonds

So long as the Series 2002 A Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2002 A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and

customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the District. Payment of principal and interest to DTC is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2002 A Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2002 A Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2002 A Bonds or of any other action premised on such notice. If fewer than all of the Series 2002 A Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Resolution and will not be made by the District, the Registrar or the Paying Agent.

The District, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2002 A Bonds paid to DTC or its nominee as the registered owner of the Series 2002 A Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2002 A Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

#### Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the District as a securities depository for the Series 2002 A Bonds and, in such event, the District may discontinue the maintenance of the Series 2002 A Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the District appoints a securities depository to replace DTC, the Series 2002 A Bonds held by DTC will be canceled, and the District will execute and the Registrar will authenticate and deliver Series 2002 A Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2002 A Bonds shown on the records of such Participant provided to the Registrar.

## SECURITY FOR THE SERIES 2002 A BONDS

The Series 2002 A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2002 A Bonds except from said sources.

### Sources of Payment

The payment of the debt service on the Series 2002 A Bonds shall be secured forthwith equally and ratably by a parity first lien on and pledge of the Net Revenues derived from the System and the funds on deposit in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein as more fully described below under "ANNUAL DEBT SERVICE REQUIREMENTS." Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2002 A Bonds and to make the payments into the Series 2002 A Bonds Sinking Fund and all other payments provided for in the Resolution, and the funds in the Series 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2002 A Bonds as the same become due and for the other purposes provided in the Resolution.

### Rate Covenant

The District has covenanted and agreed in the Resolution to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the Series 2002 A Bonds.

The District further covenants that it will enact any rate increases as shall be required to comply with the aforementioned rate covenant within thirty (30) days following a determination by the District or upon an annual audit of the District that the District is not in compliance with such rate covenant. Provided, however, that any such rate increase is subject to the approval of the Public Service Commission of West Virginia prior to the implementation thereof.

### Series 2002 A Bonds Reserve Account

\$62,940.00 of proceeds of the Series 2002 A Bonds will be deposited in the Series 2002 A Bonds Reserve Account in an amount equal to the maximum annual debt service on the Series 2002 A Bonds. In the event funds in the Revenue Fund are insufficient to pay the principal of and/or interest on the Series 2002 A Bonds, the Bond Commission shall withdraw and transfer to the Series 2002 A Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2002 A Bonds as the same becomes due from cash on deposit in the Series 2002 A Bonds Reserve Account.

In the event of a transfer from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund as aforesaid, the District shall restore the balance to the Series 2002

A Bonds Reserve Account in an amount up to the Series 2002 A Bonds Reserve Requirement. The transfer of any cash by the District from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund shall be replenished over twelve (12) equal monthly payments.

The reimbursement obligation of the District will be secured by the Net Revenues derived from the System and the funds on deposit in the Renewal and Replacement Fund, provided however, that such lien will be subordinate to the payment of debt service to holders of the Series 2002 A Bonds.

#### Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with City National Bank, Montgomery, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; first, for use by the District for the Operating Expenses of the System; second, for monthly deposit in the Series 2002 A Bonds Sinking Fund established with the Bond Commission, (i) of a sum equal to 1/6 of the amount of interest which will become due on the Series 2002 A Bonds, on the next ensuing semiannual interest payment date (beginning April 1, 2003, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the first principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2002 A Bonds, on the next ensuing principal payment date or mandatory redemption date; third for restoration of any deficiency in the funding of the Series 2002 A Bonds Reserve Account; and fourth, for monthly transfer to the Renewal and Replacement Fund, beginning with the first month following delivery of the Series 2002 A Bonds, of a sum equal to two and one-half percent (2 1/2%) of monthly Gross Revenues (excluding payments to the Series 2002 A Bond Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

#### Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, *rentals or other charges for the services and facilities of the System* and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The District further covenants and agrees in the Resolution that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the District, discontinue sewer services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

#### Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on parity with the Series 2002 A Bonds with respect to their lien on the Net Revenues of the System and their source of

and security for payment from said Net Revenues (the "additional parity bonds") for the following purposes and under the following conditions:

No such additional parity bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Series 2002 A Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary of the District a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year preceding the date of the actual issuance of such additional parity bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of such additional parity bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (1) The Series 2002 A Bonds then Outstanding;
- (2) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- (3) The additional parity bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years", as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity bonds.

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The term "additional parity bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations hereof, payable from the Net Revenues of the System on a parity with the Series 2002 A Bonds and the District's other indebtedness, and all the covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2002 A Bonds and the District's other indebtedness and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Series 2002 A Bonds, regardless of

the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such additional parity bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution or any prior resolution.

The term "additional parity bonds," as used herein, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior lien of the Series 2002 A Bonds and the District's other indebtedness on such Revenues. The District shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to the Series 2002 A Bonds. The District shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank equally, as to lien and source of and security for payment from such Revenues, with the Series 2002 A Bonds and the District's other indebtedness except in the manner and under the conditions provided herein.

No additional parity bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Resolution with respect to the Series 2002 A Bonds then Outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of issuance of the additional parity bonds.

## **THE SYSTEM**

The District was created by order of the Fayette County Commission in March, 1955. The District currently serves approximately 800 customers. The District serves a population of approximately 4,000 in the Mt. Carbon, Kimberly, Powellton, and Elkridge communities. The District was issued Permit No. WV0081132 by the West Virginia Department of Environmental Protection Office of Water Resources on May 17, 2001.

### **Sewer Service**

Armstrong PSD operates and maintains an existing sewerage collection system consisting of approximately 52,400 linear feet of eight (8) inch diameter gravity sewer line, 11,674 linear feet of ten (10) inch diameter gravity sewer line, 273 manholes, 26 cleanouts and all necessary appurtenances.

The sewer system is designed to serve approximately 4,000 persons in the District and convey the wastewater to the Kanawha Falls Public Service District's wastewater treatment plant for subsequent treatment and discharge to the Kanawha River at Mile Point 90.3.

Sewer Usage

Annual Flow History

<u>Year Ended June 30</u>	<u>Total Gallons</u>
2002	39,371,000
2001	35,905,000
2000	37,171,000
1999	40,630,000
1998	40,928,000

Customer Background

Customer Count by Type

<u>Year Ended June 30</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2002	776	10	10	796
2001	781	11	10	802
2000	772	11	9	792
1999	814	11	9	834
1998	811	11	10	832

District Personnel

The District does not employ a General Manager or an Operations Manager. The District employs five full time employees and 2 part-time employees. Two employees are dedicated to the maintenance of the system and have a combined experience with the PSD of five years.

Rates

The current schedule of sewer rates and charges on file with the Public Service Commission of West Virginia (the "PSC") were issued on August 23, 2002, effective for service rendered on or after August 22, 2002, in Case No. 02-151-PSD-19A. The provisions of the tariff on file with the PSC are as follows:

APPLICABILITY

Applicable in entire territory served

RATES (Based on Metered Water Consumption)

First	2,000 gallons used per month	\$7.52 per 1,000 gallons
All Over	2,000 gallons used per month	\$4.88 per 1,000 gallons

RATES (Based on Non-Metered Water Usage)

Non-Metered rates are based upon 5,000 gallons usage per customer per month	
Flat Rate/Non-metered customers -	\$29.68

MINIMUM CHARGE (Per month)

No bill will be rendered for less than \$15.04 per month.

SERVICE CONNECTION FEE

The service connection fee shall be One Hundred and Fifty Dollars (\$150.00).

DELAYED PAYMENT PENALTY

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

INCREMENTAL LEAK ADJUSTMENT

\$3.25 per 1,000 gal. 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.

Billing and Collections

The District renders a monthly bill to all customers of the System. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10% penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of \$15.00 is required to reinstate a previously delinquent account.

Allowance for Uncollectibles

The District uses the specific write-off method in recording uncollectible accounts, which does not result in amounts that differ materially from the allowance method required by generally accepted accounting principles. Since bad debt have historically not been material, no allowance for uncollectible accounts has been provided.

System Budget

The District prepares a draft budget for its operations, with assistance from its accountants. The District's budget is compiled from the draft budget and submitted to the Public Service Board on or before June 30 of each year. The budget is required by statute to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year and the method of financing such expenditures. The total of proposed expenditures may not exceed the total of estimated income. Upon adoption of the budget, a copy shall be provided to the County Commission. No payments may be made in excess of the budget unless unanimously authorized and directed by the Public Service Board. Separate accounting records are kept by the District and reviewed by the District's accountant each year.

## Method of Accounting

The District maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. The records of the District for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the District office.

## Historical and Proforma Revenues, Expenses and Coverages

### Summary Statement of Income and Expense (Fiscal Year Ended June 30)

	Projected 2003	Audited 2002	Audited 2001	Audited 2000
Total Revenues	\$247,300	\$224,350	\$224,194	\$200,092
Total Expenses*	<u>\$153,500</u>	<u>\$148,652</u>	<u>\$148,454</u>	<u>\$132,196</u>
Net Income	\$ 93,800	\$ 75,698	\$ 75,740	\$ 67,896
Debt Service	\$ 60,747	\$ 77,868	\$ 77,868	\$ 77,868
Coverage	1.53x	.97x	.97x	.89x
Depreciation Expense	\$101,000	\$ 100,790	\$100,790	\$100,789
Interest Expense	\$ 54,523	\$ 69,490	\$ 70,164	\$ 71,868

\*Total expenses excludes depreciation and interest

## Pension Plan

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia public Employee's Retirement System (PERS). It provides retirement, disability and death benefits to plan members' beneficiaries. State statutes establish benefit provisions.

The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to:

Consolidated Public Retirement Board  
Building 5  
1900 Kanawha Boulevard East  
Charleston, West Virginia 25305-0720

The District and plan members are required to contribute 9.5% and 4.5%, respectively, of annual covered salaries. The contribution requirements of the District and plan members are established and may be amended by State statute. The District's contributions to PERS for the years ended June 30, 2002, 2001, and 2000 were \$9,063, \$8,724 and \$9,757.

## Public Service District Authority and Board Membership

(1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district;

(2) The county commission may, on its own motion or on the basis of a proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action.

From and after the date of adoption of the order creating any public service district, it becomes public corporation and political subdivision of the state, but lacks any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, be sued, adopt an official seal and enter into contracts necessary or incidental to its purposed, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing sewage disposal service of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein of a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of a district.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2002 A Bonds.

<u>Year</u>	<u>Series 2002*</u>	<u>Total Debt Service</u>
2003	\$ 19,191	\$ 19,191
2004	59,220.00	59,220.00
2005	58,420.00	58,420.00
2006	62,620.00	62,620.00
2007	61,620.00	61,620.00
2008	60,620.00	60,620.00
2009	59,620.00	59,620.00
2010	58,445.00	58,445.00
2011	62,270.00	62,270.00
2012	60,860.00	60,860.00
2013	59,450.00	59,450.00
2014	58,040.00	58,040.00
2015	61,510.00	61,510.00
2016	59,725.00	59,725.00
2017	62,940.00	62,940.00
2018	60,900.00	60,900.00
2019	58,860.00	58,860.00
2020	61,660.00	61,660.00
2021	59,185.00	59,185.00
2022	61,710.00	61,710.00
2023	58,960.00	58,960.00
2024	61,160.00	61,160.00
2025	58,080.00	58,080.00
Totals	\$1,345,066	\$1,345,066

\* Does not consider annual earnings on the DSR fund

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Resolution, copies of which may be obtained from the Underwriter.

### Application of Series 2002 A Bond Proceeds

The amount of the Series 2002 A Bond proceeds representing interest accrued on the Series 2002 A Bonds from the date thereof to the date of delivery to the Underwriter shall be

deposited in the Series 2002 A Bonds Sinking Fund established with the Bond Commission and used to pay interest on the Series 2002 A Bonds next coming due.

An amount of the proceeds of the Series 2002 A Bonds equal to the Series 2002 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2002 A Bonds Reserve Account.

An amount of the proceeds of the Series 2002 A Bonds which, together with other monies or securities available for such purpose, specifically including, but not limited to, monies on deposit in the Series 1985 Bonds Reserve Account, shall be sufficient to accomplish the refunding and defeasance of the Series 1985 Bonds (which amount shall be set forth in a Supplemental Resolution) shall be paid to the Holder of the Series 1985 Bonds.

The balance of any proceeds of the Series 2002 A Bonds and any monies in any fund or account established for the Series 1985 Bonds pursuant to the Prior Resolutions, not used for any of the purposes set forth above, shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2002 A Bonds and miscellaneous costs of refunding the Series 1985 Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Monies not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. To the extent any proceeds of the Series 2002 A Bonds remain after paying costs of issuance of the Series 2002 A Bonds, such monies shall be used to pay, within 6 months of the date of issuance, the costs of acquisition and construction of capital improvements to the System. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2002 A Bonds Sinking Fund. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2002 A Bonds.

#### Application of System Revenues

The Gross Revenues derived from the operation of the System and all parts thereof are to be deposited in the Revenue Fund established with the Depository Bank.

#### System Revenues; Flow of Funds

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolution and shall be kept separate and distinct from all other funds of the District and the Depository Bank and used only for the purposes and in the manner herein provided.

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

(2) The District shall next, on the first day of each month, (i) commencing 6 months prior to the first interest payment date of the Series 2002 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2002 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2002 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2002 A Bonds deposited therein, and (ii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2002 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund and in the Series 2002 A Bonds Redemption Account therein in the case of the Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2002 A Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Bond Commission, for deposit in the Series 2002 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2002 A Bonds Reserve Account below the Series 2002 A Bonds Reserve Requirement or any withdrawal from the Series 2002 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2002 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2002 A Bonds Reserve Account is less than the Series 2002 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2002 A Bonds Reserve Account for deposit into the Series 2002 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2002 A Bonds Reserve Account to an amount equal to the Series 2002 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2002 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2002 A Bonds Reserve Requirement.

Amounts in the Series 2002 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2002 A Bonds when due, when amounts in the Series 2002 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) The District shall next, each month, from the moneys remaining in the Revenue Fund, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the District or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII thereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Revenues shall be used solely for the purposes of the System.

#### Investments

The District shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Resolution in Qualified Investments to the fullest extent possible under applicable laws, the Resolution, the need for such moneys for the purposes set forth therein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The District shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The District may make any and all investments permitted by this section through the trust department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

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

(A) Qualified Investments acquired for the Series 2002 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to semiannually transfer from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 2002 A Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2002 A Bonds Reserve Account an amount at least equal to the Series 2002 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2002 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2002 A Bonds Reserve Account shall, at any time, be less than the Series 2002 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2002 A Bonds Sinking Fund and otherwise in accordance with Section 4.03 of the Resolution.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2002 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2002 A Bonds Sinking Fund may be invested by the Bond Commission in 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.

#### General Covenants

Enforcement of Collections. The District has covenanted to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law. The District will shut off and discontinue the supplying of sewer service for the nonpayment of the rates or charges for said sewer service to the full extent permitted or authorized by State law.

Operation and Maintenance. The District will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of the System in the manner provided in the Resolution.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Resolution as provided by Section 6.06. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund, and otherwise as prescribed by Section 6.06. Any balance remaining after such defeasance shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of the Revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such

property, if the amount to be received therefor is not in excess of \$10,000, the District shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the District may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of \$10,000 but not in excess of \$50,000, the District shall first, determine upon consultation with its engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of \$50,000 and insufficient to defease the pledge created by the Resolution, as provided by Section 6.06, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 50% in amount of Bonds then Outstanding. The District shall prepare the form of such approval and consent for execution by the then Holders of the Series 2002 A Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The District shall not issue any other obligations whatsoever payable from the Revenues of the System, which rank prior to, or equally, as to lien on and source of and security for payment from the Revenues with, the Series 2002 A Bonds, provided that additional Bonds on parity with the Series 2002 A Bonds may be issued as provided in the Resolution. See "SECURITY FOR THE SERIES 2002 A BONDS-Additional Parity Bonds." All obligations issued by the District payable from the Revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from Revenues and in all other respects, to the Series 2002 A Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to additional parity bonds, being on parity with the lien of the Series 2002 A Bonds, and the interest thereon, if any, upon any of the income and Revenues of the System pledged for payment of the Series 2002 A Bonds and the interest thereon in the Resolution, or upon the System or any part thereof.

Insurance. The District has covenanted and agreed, that so long as the Series 2002 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the District will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the District from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the District from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the District and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the District.

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

No Free Services. The District will not render or cause to be rendered any free services of any nature by its System; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Revenues derived from the operation of the System.

No Competing Franchise. To the extent legally allowable, the District will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm,

corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any registered owner of the Series 2002 A Bonds shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The District shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The District shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, an annual report containing the following:

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

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The District shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Certified Public Accountant in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to the Resolution and shall file said report with the Original Purchaser.

Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Series 2002 A Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and an authorized officer of the District shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The Public Service Board shall annually, at least 45 days prior to the beginning of each fiscal year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No expenditures for the operation and maintenance of the System shall be made in any fiscal year in excess of the amounts provided therefor in such budget without the unanimous written approval the Public Service Board. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Registrar and shall make available such budgets and resolutions to the Registrar and to any registered

owner of the Series 2002 A Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Resolution or any supplemental resolution may be made without the written consents of the registered owners of sixty percent in aggregate principal amount of the Series 2002 A Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Bonds required for consent to any such amendment or modification.

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the respective pledges of the Revenues and other moneys and securities pledged under the Resolution, and all covenants, agreements and other obligations of the District on behalf of the registered owners of the Series 2002 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due will provide moneys which, together with the moneys, if any, deposited with the paying agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission at the same or earlier time, shall be sufficient to pay when due the principal of and interest due and to become due on the Series 2002 A Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on the Series 2002 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bond Commission, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on the Series 2002 A Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission free and clear of any trust, lien or pledge. The Bond Commission may appoint an escrow trustee to hold such moneys or securities. With respect to defeasance, the term securities includes only Government Obligations.

#### Default and Remedies

Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2002 A Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on any Bonds;

B. If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any supplemental resolution or in the Series 2002 A Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given written notice of such default, requiring the same to be remedied, by any registered owner of the Series 2002 A Bonds; or

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

Enforcement. Upon the happening and continuance of any Event of Default, any registered owner of the Series 2002 A Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceedings enforce all rights of the registered owners of the Series 2002 A Bonds, including the right to require the District to perform its duties under the Act and the Resolution; (iii) bring suit upon the Series 2002 A Bonds; (iv) by action at law or bill in equity require the District to account as if it were the trustee of an express trust for the registered owners of the Series 2002 A Bonds; and (v) by action or bill in equity enjoin any acts in violation of the Resolution or the rights of the registered owners of the Series 2002 A Bonds.

Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of the Resolution and the Act.

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

Whenever all that is due upon the Series 2002 A Bonds and interest thereon and under any covenants of the Resolution for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of the Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any registered owner of the Series 2002 A Bonds shall have the same right to secure the further appointment of a receiver.

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

Any receiver appointed as provided in the Resolution shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and registered owners of the Series 2002 A Bonds. Such receiver shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the District and registered owners of the Bond, and the curing and making good of any default under the provisions of the Resolution, and the title to and ownership of the System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

### **TAX MATTERS**

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2002 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2002 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the laws of the State of West Virginia, the Series 2002 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2002 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

The District has designated the Series 2002 A Bonds as "qualified tax-exempt obligations" and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2002. Therefore, the Series 2002 A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the Series 2002 A Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2002 A Bonds is deductible for federal income tax purposes.

The opinions described above are subject to the condition that the District complies on a continuing basis with all requirements of the Internal Revenue Code of 1986, as amended, and

regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2002 A Bonds for interest thereon to be or continue to be excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Series 2002 A Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Series 2002 A Bonds.

The accrual or receipt of the interest on the Series 2002 A Bonds may otherwise affect the federal income tax liability of certain recipients. The extent of these and other consequences will depend upon the recipient's particular tax status or other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences, and investors should consult their tax advisors regarding the tax consequences of purchasing or holding the Series 2002 A Bonds.

The initial public offering price of the Series 2002 A Bonds maturing on April 1, 2018, 2022 and 2025 (the "Discount Bonds") is less than that amount payable on such Discount Bonds at maturity. The difference between the initial public offering price at which such Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity).

Bond Counsel is of the opinion that amounts received upon such disposition, which are attributable to accrued OID, will be treated as tax-exempt interest, rather than as taxable gain for Federal income tax purposes.

Interest in the form of OID is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of OID, which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period, is equal to the difference between the product of (a) one-half of the yield for the Discount Bonds (adjusted as necessary for an initial short period) and (b) the tax basis of the Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the OID that is treated as having accrued during all prior semiannual compounding periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, the OID that would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amount among the days in such compounding period.

Holders of Discount Bonds should consult their own tax advisors with respect to the determination for Federal income tax purposes of OID accrued upon sale or redemption of such Discount Bonds, and with respect to the state and local tax consequences of owning such Discount Bonds.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, sale and issuance of the Series 2002 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. Hamilton, Burgess, Young & Pollard, pllc, Fayetteville, West Virginia, Counsel for the District will pass upon certain legal matters for the District, including proceedings regarding the Public Service Commission of West Virginia. Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

## **ABSENCE OF MATERIAL LITIGATION**

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the Series 2002 A Bonds, the Resolution or any agreement to which the District is a party and which is a part of the issuance of the Series 2002 A Bonds.

## **NEGOTIABLE INSTRUMENTS**

Pursuant to State law, the Series 2002 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2002 A BONDS - General."

## **UNDERWRITING**

The Underwriter named on the cover of this Official Statement is purchasing the Series 2002 A Bonds. The Purchase Contract provides that the Underwriter will purchase all the Series 2002 A Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof, less an Underwriter's discount of \$25,000, plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2002 A Bonds to certain dealers (including dealers depositing Series 2002 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

## **FINANCIAL STATEMENTS**

Included herein as Appendix B are the audited financial statements of the System as of and for the fiscal year ended June 30, 2002, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2002, dated September 26, 2002, of Howard W. Cloke, III, Certified Public Accountant. The general purpose financial statements and the combined and individual fund and account group financial statements of the District (which include the System) have been audited by Howard W. Cloke, III to the extent and for the period indicated in his report.

## CONTINUING DISCLOSURE

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2002 A Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2002 A Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred fifty (150) days following the end of the fiscal year of the Authority, commencing in 2002, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2002 A Bonds. Registered Owners may contact the District's Chairman at P. O. Box 155, Kimberly, West Virginia 25118 for more information.

## MISCELLANEOUS

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Resolution for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2002 A Bonds. The District has authorized the execution and distribution of this Official Statement.

## ARMSTRONG PUBLIC SERVICE DISTRICT

By: /s/ Thomas Bowen  
Chairman

## APPENDIX A

### GENERAL INFORMATION REGARDING FAYETTE COUNTY, WEST VIRGINIA

Fayette County, located in the south central part of the State of West Virginia, was founded in 1831. The county contains 665 square miles of land. Situated on the Allegheny Plateau, Fayette County is known for its coal, livestock, dairy products, fruit, tobacco and timber. Fayette County contains some of the State's major tourist attractions, including whitewater rafting. More than a quarter million people have visited the New and Gauley Rivers in West Virginia since 1972. The New River Gorge has become prominent destination for thrill seekers from all over the world. The main events are the whitewater rafting season and Bridge Day.

#### FAYETTE COUNTY POPULATION AND AGE

Total population	47,952
Male	22,990
Female	34,962
White	44,697
African American	3,017
Hispanic	252
Asian	252
Native	62
Median Age	36.2
0-5	2,491
6 to 17	9,595
18 to 20	2,358
21 to 24	2,288
25 to 44	13,445
45 to 54	4,647
55 to 59	2,274
60 to 64	2,665
65 to 74	4,690
75 to 84	2,739
85 and up	785

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Source: US Census, 2000

## Population By Decade

DATE	POPULATION	POPULATION CHANGE	ANNUAL % CHANGE
1960	61,731	-20,712	-2.9
1970	49,332	-12,399	-2.2
1980	57,863	8,531	1.6
1990	47,952	-9,911	-1.9
2000	47,579	-373	-0.1

## Households

Total Households	18,945
Family Households	13,121
Non-Family Households	5,824
Persons 65 and Over, Living Alone	5,722
Average Household Size	2.41

## Housing

Total Housing Units	21,616
Occupied Housing Units	18,945
Owner Occupied Units	14,625
Renter Occupied Units	4,320

## Cost of Living Index

Fayette County's cost of living compares favorably with any American market. In addition, the services indexed are widely available.

Composite	69.9
Groceries	97.2
Housing	94.2
Utilities	100.2
Transportation	108.3
Miscellaneous	94.8

## Economic Climate

A major highway, historic buildings and national parklands make Fayette County's economic outlook promising. Economic opportunity, particularly among tourism-oriented investments, is at an all-time high, thanks to the presence of state and national parklands such as Gauley River National Recreation Area, New River Gorge, Sandstone Falls and Hawks Nest State Park. Several local colleges and a branch of West Virginia University support the economic transition. Business locations are plentiful and affordable.

### Surplus Workforce

Workers living in Fayette County	17,410
Workers working in Fayette County	13,390
Workers working in other counties	4,396

### Economic Indicators

Per Capita Income (2000)	\$18,027
Total Personal Income (1999)	\$856,563,000

### Employment and Wages Covered by Unemployment Compensation Programs

Employment, Annual Average (2000)	12,059
Total Wage, Annual (2000)	\$278,287,953
Annual Wage, Annual Average (2000)	23,0377
Weekly Wage, Annual Average (2000)	\$443.79

Source: Bureau of Employment Programs

## Employment and Unemployment Statistics

### Labor Force Statistics

	1997	1998	1999	2000	2001
<b>Civilian Labor Force</b>	18,190	17,810	17,690	17,450	17,290
<b>Total Employment</b>	16,500	16,160	15,880	15,980	16,130
<b>Total Unemployment</b>	1,680	1,650	1,820	1,470	1,160
<b>Unemployment Rate</b>	9.3	9.3	10.3	8.4	6.7

## Nonfarm Payroll Employment Industry

	1997	1998	1999	2000	2001
<b>Goods Producing</b>	2,070	2,050	1,930	1,800	1,720
<b>Mining</b>	600	500	310	220	250
<b>Coal Mining</b>	590	490	310	210	240
<b>Construction</b>	490	560	620	570	520
<b>Manufacturing</b>	970	1,000	1,010	1,010	960
<b>Durable Goods</b>	920	920	920	930	880
<b>Nondurable Goods</b>	60	80	90	80	80
<b>Service Producing</b>	11,690	11,690	11,340	11,430	11,450
<b>Transportation &amp; Public Utilities</b>	680	650	610	590	580
<b>Trade, Wholesale &amp; Retail</b>	2,770	2,770	2,900	2,940	2,930
<b>Finance, Insurance &amp; Real Estate</b>	410	390	370	360	340
<b>Services</b>	4,130	4,100	4,050	4,350	4,350
<b>Government</b>	3,710	3,780	3,420	3,250	3,250
<b>Federal</b>	310	290	290	290	290
<b>State and Local</b>	3,00	3,500	3,130	2,960	2,960

Source: Bureau of Employment Programs

### TOP TEN EMPLOYERS – FAYETTE COUNTY 2002

1. Fayette County Board of Education
2. West Virginia University Institute of Technology
3. Mount Olive Correctional Complex
4. Elkem Metals, Inc.
5. Plateau Medical Center, Inc.
6. Global Contact Services, LLC
7. Montgomery General Hospital
8. Wal-Mart Stores, Inc.
9. Cannelton Industry, Inc.
10. Georgia Pacific Corporation

Source: Bureau of Employment Programs

### RECREATION

The region is rich with forests and national parklands. This area is quickly becoming part of one of the largest outdoor-recreation areas in the East. There are plenty of activities to take advantage of including whitewater rafting, kayaking, hiking, biking, fishing, hunting, climbing, skiing and golfing

## FACILITIES

Auditoriums	15	Stadiums	6
Baseball-Softball Fields	23	Tennis Courts – Indoor	0
Basketball Courts – Indoor	11	Tennis Courts – Outdoor	13
Basketball Courts – Outdoor	9	Theaters – Indoor	1
Swimming Pools	5	Theaters – Outdoor	0
Golf Courses	3	Playgrounds	15
Parks	8		

## Climate

Temperature (Degrees F) Mean Annual Average – 52

January Averages	High	40	Low	19
July Averages	High	82	Low	59

Long Term Precipitation (inches):

January	3.25	July	5.31	Annual	45.3
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Mean Annual Snowfall Range (inches): 35-55

## NEARBY METROPOLITAN CITES

Charleston, WV	54 miles
Huntington, WV	102 miles
Roanoke, VA	159 miles

## TRANSPORTATION

Highway Servicing Area: I – 77	Motor Freight Carriers Available: yes
US Routes: 60, 19 (Corridor L)	Bus Service: Yes
WV Routes: 612, 211, 82, 61, 41, 39, 20, 16 and 6	Parcel Service: Yes
Available Industrial Parks: 1	River, Nearest Navigable: Kanawha
Railroads: CSXT, Nicholas, Fayette & Greenbrier, AMTRAK, Norfolk & Southern	

## UTILITIES AND SERVICES

Electricity: American Electric Power  
Natural Gas: WV Power Gas, Southern Public Service Gas  
Telephone Service: Verizon, Citizens Telecom

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**APPENDIX B**

**FINANCIAL STATEMENTS**

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ARMSTRONG PUBLIC SERVICE DISTRICT  
KIMBERLY, WEST VIRGINIA

FINANCIAL REPORT

June 30, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT

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ARMSTRONG PUBLIC SERVICE DISTRICT

BOARD OF DIRECTORS

June 30, 2002

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Chairman	Thomas Bowen	4-1-05
Members	Charles Walker	4-1-06
	Judson Wallace	4-1-04

HOWARD M. CLOKE III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

I have audited the general purpose financial statements of the Armstrong Public Service District and the combining and individual fund financial statements, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Armstrong Public Service District as of June 30, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 26, 2002, on my consideration of the Armstrong Public Service District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization, and is not a required part of the general purpose financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT  
BALANCE SHEET  
June 30, 2002

	<u>Water</u>	<u>Sewer</u>
Assets:		
Current Assets:		
Cash	\$ 13,358	\$ 10,480
Accounts receivable	31,796	29,585
Due from other funds	-	31,326
Total Current Assets	<u>45,154</u>	<u>71,391</u>
Special Funds:		
Revenue account	52,421	-
Reserve account	28,692	69,595
Depreciation account	2,364	2,278
Total Restricted Assets	<u>83,477</u>	<u>71,873</u>
Fixed Assets:		
Utility plant	853,030	3,378,040
Construction in progress	756,489	-
Less: Accumulated Depreciation	<u>&lt;621,242&gt;</u>	<u>&lt;1,145,691&gt;</u>
Net Fixed Assets	<u>988,277</u>	<u>2,232,349</u>
Total Assets	<u>\$1,116,908</u>	<u>\$2,375,613</u>
Liabilities and Fund Equity:		
Current Liabilities:		
Accounts payable	\$ 5,699	\$ 9,841
Note payable	9,819	-
Accrued taxes	5,465	757
Due to other funds	31,326	-
Customer deposits	18,650	16,850
Accrued interest	<u>12,312</u>	<u>946</u>
Total Current Liabilities	83,271	28,394
Long-Term Debt:		
Bonds payable	<u>726,209</u>	<u>708,254</u>
Total Liabilities	<u>809,480</u>	<u>736,648</u>
Fund Equity:		
Contributed capital	347,497	2,601,705
Retained Earnings	<u>&lt;40,069&gt;</u>	<u>&lt;962,740&gt;</u>
Total Fund Equity	<u>307,428</u>	<u>1,638,965</u>
Total Liabilities and Fund Equity	<u>\$1,116,908</u>	<u>\$2,375,613</u>

<u>Total</u>	<u>June 30,</u> <u>2001</u>
\$ 23,838	\$ 50,614
61,381	45,881
<u>31,326</u>	<u>39,342</u>
<u>116,545</u>	<u>135,837</u>
52,421	47,921
98,287	89,374
<u>4,642</u>	<u>4,070</u>
<u>155,350</u>	<u>141,365</u>
4,231,070	4,242,790
756,489	860
<u>&lt;1,766,933&gt;</u>	<u>&lt;1,664,505&gt;</u>
<u>3,220,626</u>	<u>2,579,145</u>
<u>\$3,492,521</u>	<u>\$2,856,347</u>
\$ 15,540	\$ 16,287
9,819	-
6,222	4,006
31,326	39,342
35,500	27,656
<u>13,258</u>	<u>5,659</u>
<u>111,665</u>	<u>92,950</u>
<u>1,434,463</u>	<u>903,814</u>
<u>1,546,128</u>	<u>996,764</u>
2,949,202	2,725,313
<u>&lt;1,002,809&gt;</u>	<u>&lt;865,730&gt;</u>
<u>1,946,393</u>	<u>1,859,583</u>
<u>\$3,492,521</u>	<u>\$2,856,347</u>

See the accompanying notes to the financial statements.

ARMSTRONG PUBLIC SERVICE DISTRICT

STATEMENT OF INCOME, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended June 30, 2002

	<u>Water</u>	<u>Sewer</u>
Operating Revenues:		
Charges for services	\$244,700	\$ 217,456
Penalties	7,382	6,570
Miscellaneous	<u>17,324</u>	<u>-</u>
Total Operating Revenues	<u>269,406</u>	<u>224,026</u>
Operating Expenses:		
Source of supply	21,750	-
Pumping	39,467	412
Treatment	23,046	-
Transmission and distribution	76,206	117,759
Customer accounts	21,749	-
Administrative and general	84,940	30,481
Depreciation	<u>30,530</u>	<u>100,790</u>
Total Operating Expenses	<u>297,688</u>	<u>249,442</u>
Operating Income	<u>&lt;28,282&gt;</u>	<u>&lt;25,416&gt;</u>
Other Income <Expense>:		
Interest income	2,451	324
Interest expense	<u>&lt;16,666&gt;</u>	<u>&lt;69,490&gt;</u>
Total Other Income <Expense>	<u>&lt;14,215&gt;</u>	<u>&lt;69,166&gt;</u>
Net Income <Loss>	<u>&lt;42,497&gt;</u>	<u>&lt;94,582&gt;</u>
Retained Earnings - Beginning of year	<u>2,428</u>	<u>&lt;868,158&gt;</u>
Retained Earnings - End of year	<u>\$&lt;40,069&gt;</u>	<u>\$&lt;962,740&gt;</u>

<u>Total</u>	<u>June 30,</u> <u>2001</u>
\$ 462,156	\$ 432,962
13,952	13,005
<u>17,324</u>	<u>9,027</u>
<u>493,432</u>	<u>454,994</u>
21,750	14,938
39,879	32,034
23,046	17,381
193,965	173,311
21,749	14,938
115,421	105,675
<u>131,320</u>	<u>129,957</u>
<u>547,130</u>	<u>488,234</u>
<u>&lt;53,698&gt;</u>	<u>&lt;33,240&gt;</u>
2,775	6,364
<u>&lt;86,156&gt;</u>	<u>&lt;79,941&gt;</u>
<u>&lt;83,381&gt;</u>	<u>&lt;73,577&gt;</u>
<137,079>	<106,817>
<u>&lt;865,730&gt;</u>	<u>&lt;758,913&gt;</u>
<u>\$&lt;1,002,809&gt;</u>	<u>\$ &lt;865,730&gt;</u>

See the accompanying notes to the financial statements.

ARMSTRONG PUBLIC SERVICE DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2002

	<u>Water</u>
Cash Flows from Operating Activities:	
Cash from customers attributable to operating revenues	\$260,371
Less: Cash paid for operation & maintenance expenses	<265,501>
Cash paid for taxes other than income taxes	<u>&lt;9,135&gt;</u>
Subtotal	<14,265>
Interest received	2,451
Interest paid	<u>&lt;9,247&gt;</u>
Net Cash Provided by Operating Activities	<u>&lt;21,061&gt;</u>
Cash Flows from Investing Activities:	
Contributions in aid of construction	223,889
Disposal <acquisition> of noncurrent assets	<5,767>
Additions to utility plant	<u>&lt;773,661&gt;</u>
Net Cash Used in Investing Activities	<u>&lt;555,539&gt;</u>
Cash Flows from Capital and Other Related Financing Activities:	
Long-term debt	539,207
Increase <decrease> in customer deposits	4,044
Short-term deposits	<u>9,819</u>
Net Cash Used in Capital and Other Related Financing Activities	<u>553,070</u>
Net increase <decrease> in cash and cash equivalents	<23,530>
Cash and cash equivalents - beginning of year	<u>36,888</u>
Cash and cash equivalents - end of year	<u>\$ 13,358</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Net Income <Loss>	\$<42,497>
Depreciation	30,530
<Increase> decrease in receivables	<9,035>
Increase <decrease> in accounts payable	<9,657>
Increase <decrease> in interest accrued	7,419
Increase <decrease> in accrued taxes	<u>2,179</u>
Net Cash Provided by Operating Activities	<u>\$&lt;21,061&gt;</u>

<u>Sewer</u>	<u>Total</u>	<u>June 30,</u> <u>2001</u>
\$ 224,466	\$ 484,837	\$ 459,014
<145,253>	<410,754>	<351,339>
<u>&lt;1,357&gt;</u>	<u>&lt;10,492&gt;</u>	<u>&lt;6,904&gt;</u>
77,856	63,591	100,771
324	2,775	6,364
<u>&lt;69,310&gt;</u>	<u>&lt;78,557&gt;</u>	<u>&lt;80,049&gt;</u>
<u>8,870</u>	<u>&lt;12,191&gt;</u>	<u>27,086</u>
-	223,889	1,275
<8,218>	<13,985>	<20,243>
<u>860</u>	<u>&lt;772,801&gt;</u>	<u>&lt;7,376&gt;</u>
<u>&lt;7,358&gt;</u>	<u>&lt;562,897&gt;</u>	<u>&lt;26,344&gt;</u>
<8,558>	530,649	<17,860>
3,800	7,844	676
<u>-</u>	<u>9,819</u>	<u>-</u>
<u>&lt;4,758&gt;</u>	<u>548,312</u>	<u>&lt;17,184&gt;</u>
<3,246>	<26,776>	<16,442>
<u>13,726</u>	<u>50,614</u>	<u>67,056</u>
<u>\$ 10,480</u>	<u>\$ 23,838</u>	<u>\$ 50,614</u>
\$ <94,582>	\$ <137,079>	\$ <106,817>
100,790	131,320	129,957
1,551	<7,484>	9,196
894	<8,763>	<5,549>
180	7,599	<108>
<u>37</u>	<u>2,216</u>	<u>407</u>
<u>\$ 8,870</u>	<u>\$ &lt;12,191&gt;</u>	<u>\$ 27,086</u>

See the accompanying notes to the financial statements.

## ARMSTRONG PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Significant Accounting Policies

The Armstrong Public Service District is a public corporation and a political subdivision of the state of West Virginia by order of the County Court of Fayette County, West Virginia.

The District's books are maintained on the accrual basis of accounting. Revenues are recorded on the basis of services delivered through the report period ending date. Tap fees are recorded as contributions.

Property, Plant, and Equipment and Depreciation - Property Plant, and Equipment assets are stated at cost. The District provides for depreciation of Property, Plant, and Equipment on the straight-line method based upon estimated service lives.

Accounts Receivable - The District used the specific write-off method in recording uncollectible accounts, which does not result in amounts that differ materially from the allowance method required by generally accepted accounting principles. Since bad debts have historically not been material, no allowance for uncollectible accounts has been provided at June 30, 2002.

Note 2. Long-Term Debt

The following is a summary of bonds and notes payable at June 30, 2002:

Revenue Bonds

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Note Amount</u>	<u>Principal Repaid</u>	<u>Amount Outstanding</u>
1972	2014	5.0	338,000	161,791	<u>176,209</u>
Total bonds payable at June 30, 2002					<u>176,209</u>

Notes Payable

<u>Note and Date</u>		<u>Interest Rates</u>	<u>Note Amount</u>	<u>Principal Repaid</u>	<u>Principal Outstanding</u>
USDA - RUS	3-85	9.75	778,000	69,746	708,254
USDA - RUS	5-02	4.5	550,000	-	<u>550,000</u>
Total notes payable at June 30, 2002					<u>1,258,254</u>

The following is a 5 year redemption schedule for the various notes and bonds payable:

<u>1972 Series</u>			
<u>Year</u>	<u>Principal</u>	<u>5% Interest</u>	<u>Total Debt Service</u>
2003	11,000	8,535	19,535
2004	11,000	7,985	18,985
2005	12,000	7,410	19,410
2006	13,000	6,785	19,785
2007	13,000	6,135	19,135
Thereafter	<u>116,209</u>	<u>21,115</u>	<u>137,324</u>
	176,209	57,965	234,174

<u>USDA - Rural Utilities</u>			
<u>Year</u>	<u>Principal</u>	<u>9.75% Interest</u>	<u>Total Debt Service</u>
02-03	9,218	68,650	77,868
03-04	10,158	67,710	77,868
04-05	11,194	66,674	77,868
05-06	12,335	65,533	77,868
06-07	13,593	64,275	77,868
Thereafter	<u>651,756</u>	<u>706,027</u>	<u>1,357,783</u>
Totals	708,254	1,038,869	1,747,123

<u>USDA - RUS</u>			
<u>Year</u>	<u>Principal</u>	<u>4.5% Interest</u>	<u>Total Debt Service</u>
02-03	-	24,750	24,750
03-04	-	24,750	24,750
04-05	5,605	24,635	30,240
05-06	5,862	24,378	30,240
06-07	6,131	24,109	30,240
Thereafter	<u>532,402</u>	<u>525,619</u>	<u>1,058,021</u>
	550,000	648,241	1,198,241

### Note 3. Public Employees Retirement Fund

#### Plan Description

The entity's employees participate in the Public Employees Retirement System of West Virginia. This plan is a cost sharing multiple-employer public employee retirement system created by the State of West Virginia.

All (full-time) employees, except uniformed employees covered by other pension plans, must participate once the government has made the election to become a member in the PERS. Among employees not eligible for plan membership are members (and retirees) of other state retirement systems; however, retirees from the Department of Public Safety or municipal police and fire departments are eligible to participate. The system provides for vesting benefits after 5 years of creditable service.

Employees may retire with full benefits at age 60 with a minimum of 5 years of credited service or when the members' age plus their years of service is equal to or greater than 80 provided that the employee has reached age 55. An individual with 5 or more years of consecutive years of service who terminates employment prior to retirement can choose to leave contributions with the system and will be eligible for retirement benefits at age 62. Members are entitled to a yearly retirement benefit of 2% of their highest averaged salary over 3 consecutive years out of the last 10 years of earnings multiplied by the years of service. Payments are made monthly to the retiree and the retiree can choose from 3 retirement options.

In accordance with state statutes, the entity's full-time employees are required to contribute 4.5 percent of their annual salary to PERS. The entity is required to contribute an additional 9.5 percent for a total of 14 percent for each members' salary. The actuarially determined contribution requirements and contributions made totaled \$13,356 with \$4,293 from the employee and \$9,063 from the employer representing 4.5 percent and 9.5 percent of covered payroll, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of PERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among government pension plans and employers. PERS does not make separate measurements of assets and pension benefit obligations or separate employers. The benefit obligation for PERS as a whole at June 30, 1996, was \$2,382 million.

The plan's net assets available for benefits on that date (at market) were \$1,988.6 million, resulting in an unfunded pension benefit obligation of \$393.4 million.

Ten-year trend information relating to the accumulation of assets and the unfunded liability is available from the Consolidated Retirement Board.

Note 4. Changes in Fixed Assets

The following is a summary of the changes in proprietary fund types property, plant and equipment:

	<u>Water Fund</u>			
	<u>Balance at June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Land	\$ 10,505	\$ -	\$ -	\$ 10,505
Buildings	71,452	-	-	71,452
Machinery and Equipment	782,557	17,408	28,892	771,073
Construction in progress	<u>236</u>	<u>756,253</u>	<u>-</u>	<u>756,489</u>
Total	<u>\$864,750</u>	<u>\$773,661</u>	<u>\$28,892</u>	<u>\$1,609,519</u>

	<u>Sewer Fund</u>			
	<u>Balance at June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Land	\$ 12,350	\$ -	\$ -	\$ 12,350
Machinery and Equipment	3,344,690	-	-	3,344,690
Construction in progress	860	-	860	-
Intangibles	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Total	<u>\$3,378,900</u>	<u>\$ -</u>	<u>\$ 860</u>	<u>\$3,378,040</u>

ARMSTRONG PUBLIC SERVICE DISTRICT  
For the Fiscal Year Ended June 30, 2002

AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES IN  
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

HOWARD M. CLOKE III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY SCHEDULES  
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

I have audited the general purpose financial statements of the Armstrong Public Service District and the combining and individual financial statements as of and for the year ended June 30, 2002, and have issued my report thereon dated September 26, 2002. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the U.S. Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion of the general purpose financial statements, and the combining and individual fund financial statements taken as a whole. The information included in the accompanying supplementary schedules for the year ended June 30, 2002, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the examination of the general purpose, combining and individual fund financial statements, and in my opinion, is fairly stated in all material respects in relation to the general purpose combining, and individual fund financial statements taken as a whole.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT  
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
 For the Fiscal Year Ended June 30, 2002

	<u>Federal Assistance Programs</u>	
	<u>Dept. of Agriculture RUS</u>	<u>Appalachian Regional Commission</u>
CFDA#	<u>10.760</u>	<u>23.002</u>
Amount	\$550,000	604,000
Revenues:		
Intergovernmental:		
Federal	<u>\$550,000</u>	<u>206,289</u>
Total Revenues	<u>550,000</u>	<u>206,289</u>
Expenditures:		
Capital Projects	<u>550,000</u>	<u>206,289</u>
Total Expenditures	<u>550,000</u>	<u>206,289</u>
Revenues recognized in prior years	<u>-</u>	<u>-</u>
Expenditures incurred in prior years	<u>-</u>	<u>-</u>

See the accompanying notes to the financial statements.

ARMSTRONG PUBLIC SERVICE DISTRICT

For the Fiscal Year Ended June 30, 2002

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Howard M. Cloke III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

I have audited the general purpose financial statements of the Armstrong Public Service District as of and for the year ended June 30, 2002, and have issued my report thereon dated September 26, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Armstrong Public Service District's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Armstrong Public Service District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

ARMSTRONG PUBLIC SERVICE DISTRICT  
For the Fiscal Year Ended June 30, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Howard M. Cloke III  
Certified Public Accountant  
P. O. Box 513  
Barboursville, West Virginia 25504

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Armstrong Public Service District  
Kimberly, West Virginia

Compliance

I have audited the compliance of the Armstrong Public Service District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, the Armstrong Public Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Armstrong Public Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Howard M Cloke III*

HOWARD M. CLOKE III  
Certified Public Accountant

September 26, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NONE

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL  
[LETTERHEAD OF STEPTOE & JOHNSON PLLC]

December 23, 2002

Armstrong Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Armstrong Public Service District  
Kimberly, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Armstrong Public Service District (West Virginia) (the "Issuer") of its \$785,000 in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on December 5, 2002, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 12, 2002 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated December 1, 2002, upon original issuance, mature on April 1 in years and amounts and bear interest payable each April 1 and October 1, commencing April 1, 2003, as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2008	\$125,000	4.000%
2013	140,000	4.700
2018	180,000	5.100
2022	180,000	5.500
2025	160,000	5.600

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Resolution.

The Resolution provides that the issue is for the purposes of paying a portion of the costs necessary to (i) current refund all of the Issuer's outstanding Sewer Revenue Bond, Series 1985, dated March 26, 1985, issued in the original aggregate principal amount of \$778,000, of which \$716,441.41 is presently outstanding (the "Series 1985 Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated December 12, 2002, and accepted by the Issuer (the "Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Purchaser and other entities contained in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer, the Purchaser and other entities pertaining to tax matters set forth in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Continuing Disclosure Agreement and the Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement and the Continuing Disclosure Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

4. Under the laws, regulations, published rulings and judicial decisions of the United States of America existing on the date hereof, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Resolution, and the Tax and Non-Arbitrage Certificate. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in paragraph 5.

5. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2002. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

7. The Series 1985 Bonds have been paid within the meaning and with the effect expressed in the 1985 Resolution and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1985 Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the United States Department of Agriculture, Rural Utilities Service, relating to the receipt of the monies to provide for the payment on December 23, 2002 of the principal of and all interest accrued on the Series 1985 Bonds.

8. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

9. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the

Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, all in accordance with the terms of the Bonds and the Resolution.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Resolution, the Continuing Disclosure Agreement and the Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond Nos. AR-1 and AR-5 of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

CONTINUING DISCLOSURE CERTIFICATE

ARMSTRONG PUBLIC SERVICE DISTRICT  
as Issuer,

Dated as of December 1, 2002

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THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made and entered into as of the 1<sup>st</sup> day of December, 2002, by ARMSTRONG PUBLIC SERVICE DISTRICT (the "Issuer").

RECITALS:

WHEREAS, the Issuer has issued or will issue its \$785,000 Sewer Refunding Revenue Bonds, Series 2002 (the "Bonds"), pursuant to a Bond Resolution approved on December 5, 2002 (the "Resolution"), to (i) refund the District's Sewer Revenue Bond, Series 1985; (ii) fund a debt service reserve for the Series 2002 A Bonds; and (iii) to pay costs relating to the issuance of the Series 2002 A Bonds; and

WHEREAS, the Series 2002 A Bonds have been offered and sold pursuant to a Preliminary Official Statement dated December 9, 2002, and an Official Statement dated December 12, 2002 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated as of December 1, 2002 (the "Bond Purchase Agreement"), with respect to the sale of the Series 2002 A Bonds, with the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Issuer wishes to provide for the disclosure of certain information concerning the Series 2002 A Bonds and other matters on a continuing basis as set forth herein for the benefit of the Bondholders in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Resolution, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

**Section 1. Definitions; Scope of this Certificate.**

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Resolution, as amended and supplemented from time to time. In addition, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean annual financial information and operating data customarily prepared by the Issuer and which is publicly available and which appears in the Offering Document. The Issuer customarily prepares audited annual financial information using generally accepted accounting procedures, provided however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. This Annual Financial Information is customarily available to the public.

"Disclosure Representative" shall mean the Chairman of the Issuer, and any successor thereto, or such other person as the Issuer may from time to time designate in writing.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall mean, as to the Issuer, any of the events listed in items (i) through (xii) below, the occurrence of which the Issuer and/or the Disclosure Representative obtains knowledge, and which the Issuer or Disclosure Representative determines would constitute material information for Bondholders, provided, that the occurrence of an event described in clauses (iii), (v), (vi), (vii), (x), (xi) and (xii) shall always be deemed to be material. The following events, if material, shall constitute Material Events:

- (i) any delinquency in the payment of principal of or interest on the Series 2002 A Bonds;
- (ii) any nonpayment related Event of Default under the Resolution;
- (iii) the occurrence of any unscheduled draws on any debt service reserve fund or account under the Resolution reflecting financial difficulties;
- (iv) the occurrence of any unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) any substitution of credit or liquidity providers or the failure of any such credit or liquidity providers to perform;
- (vi) any adverse tax opinions or other events affecting the exclusion from gross income of the interest on the Series 2002 A Bonds;
- (vii) any modifications of the rights of any Bondholder;
- (viii) the notice to the Bondholders of any optional or other unscheduled redemption;
- (ix) the defeasance of any Bonds;
- (x) the release, substitution or sale of property securing the repayment of the Series 2002 A Bonds;
- (xi) any change in any rating provided by a nationally recognized municipal securities rating agency on the Series 2002 A Bonds; and
- (xii) any other material event affecting the Series 2002 A Bonds or the Issuer.

"NRMSIR" shall mean all of the Nationally Recognized Municipal Securities Information Repositories as of the date hereof, as set forth in EXHIBIT A hereto, and all future Nationally

Recognized Municipal Securities Information Repositories approved by the SEC from time to time.

"Participating Underwriter" shall mean the original underwriter of the Series 2002 A Bonds required to comply with the Rule in connection with the offering of the Series 2002 A Bonds.

"Release" shall mean Securities and Exchange Commission Release No. 34-34961.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository, as such term is used in the Release, if and when a SID is created for the State.

"State" shall mean the State of West Virginia.

"Turn Around Period" shall mean two (2) business days with respect to Material Event occurrences disclosed by the Issuer to the Disclosure Representative, or, which otherwise become known to the Disclosure Representative.

(B) This Certificate applies to the Series 2002 A Bonds and any additional bonds or other obligations issued under the Resolution or any supplement thereto.

(C) The Disclosure Representative shall have no obligation to make disclosure in connection with the Series 2002 A Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Representative under any other agreement with the Issuer.

**Section 2. Disclosure of Information.**

(A) General Provisions. This Certificate governs the Issuer's direction to the Disclosure Representative, with respect to information to be made public and in its actions under this Certificate.

(B) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 3 hereof, the Issuer shall make or cause the Disclosure Representative to make public the information set forth in subsections (1) and (2) below:

(1) Annual Financial Information. Annual Financial Information of the Issuer at least annually not later than December 31 (the "Disclosure Date"), beginning with the fiscal year ended June 30, 2002, and continuing with each fiscal year thereafter, shall be subject to disclosure. The Disclosure Representative shall, on behalf of the Issuer, provide Annual Financial Information to the NRMSIR and SID not later than the Disclosure Date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual

Financial Information.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(C) Information Provided by Disclosure Representative to Public.

(1) The Issuer directs the Disclosure Representative on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Representative agrees to act as the Issuer's agent in so making public, as regards the operations of the Issuer, the following:

(a) Annual Financial Information;

(b) Material Event occurrences; and

(c) such other information as the Issuer shall determine to make public through the Disclosure Representative.

The Issuer shall provide such information to the Disclosure Representative in the form required by subsection (C)(2) of this Section 2. If the Issuer chooses to include any information in any financial information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future financial information report or notice of occurrence of a Material Event.

(2) The information, which the Issuer has agreed to make public, shall be in the following form:

(a) as to all notices, reports and financial statements to be provided to the Disclosure Representative by the Issuer, in the form of notice required by the Resolution, this Certificate or other applicable document or agreement; and

(b) as to all other notices or reports, in such form as the Disclosure Representative shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Representative shall make public the Annual Financial Information and Material Event occurrences within the applicable Turn Annual Period. Notwithstanding the foregoing, Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Issuer to the Disclosure Representative has not been provided on a timely basis, the Disclosure Representative shall make such information public as soon thereafter as it is provided to the Disclosure Representative.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Issuer or the Disclosure Representative under this Certificate if it is transmitted to one or more of the following as provided in subsection (D)(2) of this Section 2:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Resolution;

(b) to each NRMSIR, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a NRMSIR by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the NRMSIR;

(c) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a SID by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SID;

(d) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the MSRB by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the MSRB; and/or

(e) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the SEC by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Material Events shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(b) any notice of a failure by the Issuer to provide required Annual Financial Information, on or before the date required by this Certificate shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(c) any other information which the Issuer decides to make public shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State); and

(d) all information described in clauses (a) and (b) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request.

Nothing in this subsection shall be construed to relieve the Registrar and Paying Agent under the Resolution, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Resolution, but nothing herein shall be construed to require the them to take any actions other than those set forth in the Resolution.

Nothing in this Certificate shall be construed to require the Disclosure Representative to interpret or provide an opinion concerning the information made public. If the Disclosure Representative receives a request for an interpretation or opinion, the Disclosure Representative may refer such request to the Issuer for response.

### **Section 3. Amendment or Modification.**

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate (and the Disclosure Representative shall agree to any amendment so requested by the Issuer) and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws acceptable to the Issuer to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

### **Section 4. Miscellaneous.**

(A) Compliance with Prior Continuing Disclosure Certificates. The Issuer certifies that, except as is set forth in the Preliminary Official Statement and the Official Statement, it is as of the date hereof in compliance with the provisions of all continuing disclosure certificates or similar agreements or certificates heretofore delivered in connection with the issuance of any prior bonds.

(B) Representations. The Issuer represents and warrants (i) that it has duly authorized the execution and delivery of this Certificate by its Chairman, (ii) that it has all requisite power and authority to execute and deliver, and perform this Certificate under its organizational documents and any resolutions now in effect, (iii) that the execution and delivery of this Certificate, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, resolution, decree, agreement or instrument by which it is bound, and (iv) that it is not aware of any litigation or proceeding pending, or, to the best of its knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Certificate, or its due authorization, execution and delivery of this Certificate, or otherwise contesting or questioning the issuance of the Series 2002 A Bonds.

(C) Governing Law. This Certificate shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any

other federal or state agency or regulatory body with jurisdiction over the Series 2002 A Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Certificate shall be interpreted and construed in a manner consistent therewith.

(D) Severability. If a court of competent jurisdiction hereof shall hold any provision invalid or unenforceable, the remaining provisions hereof shall survive and continue in full force and effect.

(E) Counterparts. This Certificate may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(F) Termination. This Certificate may be terminated by the Issuer upon thirty days' written notice of termination, provided that notice of the termination of this Certificate is provided to each NRMSIR, the appropriate SID, if any, and/or the MSRB and further provided that nationally recognized bond counsel provides an opinion that the new continuing disclosure certificate is in compliance with all State and Federal Securities laws; provided, however, the termination of this Certificate is not effective until the Issuer, or its successor, enters into a new continuing disclosure certificate and agrees to continue to provide, to each NRMSIR, SID and/or the MSRB and the Bondholders of the Series 2002 A Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB.

This Certificate shall terminate when all of the Series 2002 A Bonds are or are deemed to be no longer outstanding by reason of redemption or defeasance or at maturity, or if the Rule should be changed so as to no longer require this Certificate.

(G) Defaults: Remedies. The Issuer shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If a default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to the Issuer, the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds shall, or any Bondholder may, take such actions as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Issuer to comply with its obligations under this Certificate. The Issuer acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder; and, therefore, agrees that the remedy of specific performance shall be the sole remedy available in any proceeding to enforce this Certificate. The occurrence of any event of default as provided in this Certificate shall not constitute an event of default under the Resolution.

(H) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Representative, the Participating Underwriter and Bondholders and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Issuer has caused it duly authorized officer to execute this Certificate as of the day, month and year first have been written.

ARMSTRONG PUBLIC SERVICE DISTRICT

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

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of December 1, 2002:

### Bloomberg Municipal Repository

100 Business Park Drive

Skillman, New Jersey 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)

Email: [Munis@Bloomberg.com](mailto: Munis@Bloomberg.com)

### DPC Data Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

<http://www.dpcdata.com>

Email: [nrmsir@dpcdata.com](mailto: nrmsir@dpcdata.com)

### FT Interactive Data

Attn: NRMSIR

100 William Street

New York, New York 10038

Phone: (212) 771-6999

Fax: (212) 771-7390 (Secondary Market Information)

(212) 771-7391 (Primary Market Information)

<http://www.interactivedata.com>

Email: [NRMSIR@FTID.com](mailto: NRMSIR@FTID.com)

### Standard & Poor's J. J. Kenny Repository

55 Water Street

45th Floor

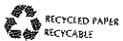
New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)

Email: [nrmsir\\_repository@sandp.com](mailto: nrmsir_repository@sandp.com)



RECYCLED PAPER  
RECYCLABLE

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\$785,000  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BONDS  
SERIES 2002 A

BOND PURCHASE AGREEMENT

December 12, 2002

Armstrong Public Service District  
P.O. Box 156  
Kimberly, WV 25118

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter") hereby offers to enter into this Bond Purchase Agreement with the Armstrong Public Service District (the "Issuer") for the sale by the Issuer and the purchase by the Underwriter of the Issuer's Sewer Refunding Revenue Bonds, Series 2002 A in the aggregate principal amount of \$785,000 (the "Bonds") described herein and in the Official Statement (defined herein), which are being issued by the Issuer. Upon your acceptance of this offer and your execution and delivery of this Bond Purchase Agreement (hereinafter referred to as the "Bond Purchase Agreement"), this Bond Purchase Agreement will be binding upon you and the Underwriter. This offer is made subject to your acceptance, evidenced by your execution and delivery of this Bond Purchase Agreement to the Underwriter, at or prior to 11:30 p.m., New York, New York time, on the date hereof, and will expire if not so accepted at or prior to such time (or such later time as the Underwriter may agree to in writing).

1. Definitions. The capitalized terms used in this Bond Purchase Agreement shall have the meanings assigned to them herein or, if not defined herein, shall have the meanings set forth in the Bond Resolution approved by the Issuer on December 5, 2002 (the "Resolution"). This Bond Purchase Agreement, the Official Statement, the Preliminary Official Statement, the Tax Regulatory Agreement and the Continuing Disclosure Certificate are sometimes herein referred to as the "Bond Documents."

2. Closing. Delivery and acceptance of the Bonds and payment therefor (the "Closing") will take place in Charleston, West Virginia, at the offices of Steptoe & Johnson PLLC, Bank One Center, on December 23, 2002 (the "Closing Date") by 10:00 a.m. or at such other place or time as may be mutually agreed upon by you and the Underwriter. The Bonds will be available in definitive form at the offices of The Depository Trust Company (or the Registrar, if "DTC-Fast" delivery is used) not less than twenty-four hours prior to the Closing Date.

3. Purchase and Sale.

3.1 Subject to the terms and conditions set forth in this Bond Purchase Agreement, and upon the basis of the representations hereinafter set forth, the Underwriter hereby agrees to purchase

from the Issuer, and the Issuer hereby agrees to sell to the Underwriter when, as and if issued, all (but not less than all) of the Bonds identified in Exhibit A attached hereto for a total purchase price equal to the Net Purchase Price set forth in Exhibit A, in immediately available funds.

3.2 The Bonds will (i) be issued pursuant to the Resolution and (ii) have the payment related terms (that is, dated dates, principal or issuance amounts, maturity dates, interest rates and yield to maturity) set forth in Exhibit A attached hereto, and will otherwise correspond to the description thereof contained in the Official Statement referred to in Section 3.3.

3.3 Within seven business days of its acceptance hereof, the Issuer shall deliver to the Underwriter a reasonable number of copies of a final Official Statement of the Issuer of even date herewith, executed by the Issuer (the "Official Statement"). The Official Statement shall be in substantially the same form as that of the Preliminary Official Statement of the Issuer dated December 9, 2002 (the "Preliminary Official Statement"), previously distributed with respect to the Bonds.

#### 4. Concurrent Matters.

4.1 Your acceptance, execution and delivery of this Bond Purchase Agreement will constitute your acknowledgment that the Underwriter (a) proposes to make a public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement (which such initial offering prices or yields may be changed by the Underwriter, in its sole discretion), (b) may effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and may discontinue such stabilizing, if commenced, at any time and (c) may change the offering prices of the Bonds from time to time and may offer the Bonds to certain dealers and others at prices lower than the public offering prices shown on the front cover (or inside front cover) of the Official Statement.

4.2 Your acceptance, execution and delivery of this Bond Purchase Agreement will constitute (i) your consent and authorization to the use by the Underwriter, in connection with the public offering and sale of the Bonds, of copies of the Official Statement and the information, contained therein, and (ii) your ratification of the use by the Underwriter, in connection with such offering and sale, of the Preliminary Official Statement and the information contained therein.

#### 5. Representations and Warranties.

5.1 The Issuer hereby makes the following representations and warranties to the Underwriter:

(a) The Issuer is a body corporate and political subdivision of the State of West Virginia, created, by the County Commission of Fayette County, West Virginia, and authorized to issue the Bonds pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act").

(b) On December 5, 2002, the Issuer adopted the Resolution, and since that time the Resolution has not been rescinded, amended or modified.

(c) When delivered to the Underwriter against payment therefor in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered.

(d) The execution and delivery by the Issuer of the Bond Documents and the consummation by the Issuer of the transactions contemplated thereby are not prohibited by, do not violate any provision of, and will not result in the breach of or default under the Act, or, to its knowledge, any applicable law, rule, regulation, judgment, decree, order or other requirement, or any material contract, indenture, agreement or commitment to which the Issuer is a party or by which it is bound.

(e) The Issuer is not in breach of or in default under any existing law, court or administrative regulation, judgment, decree, order, agreement, mortgage, lease, loan agreement or other instrument to which it is a party or by which it is bound. No event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under the Bond Documents or any other agreement or instrument to which the Issuer is a party, or by which it may be bound or to which any of its property is or may be subject.

(f) The Issuer has duly authorized all necessary action to be taken by it for (i) the issuance and sale of the Bonds by the Issuer upon the terms and conditions set forth herein, in the Official Statement and in the Resolution and the approval of the Official Statement, the Resolution and the Bonds, and (ii) the execution, delivery and receipt of the Bond Documents and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, effectuate and consummate the transactions contemplated in the Bond Documents.

(g) The information contained in the Preliminary Official Statement and the Official Statement relating to the Issuer and its properties, operations and financial and other affairs, including Appendices A and B, and the project to be financed with proceeds of the Bonds, is true and correct in all respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(h) Except as may be described in the Preliminary Official Statement and the Official Statement, there is no legal action, or other proceeding, or any investigation or inquiry (before or by any court, agency, arbitrator or other entity or person) pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer or any of its officials, in their respective capacities as such, which would restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Resolution or in any way would contest or affect the organization or existence of the Issuer or the entitlement of any officers of the Issuer to their respective offices or which may reasonably be expected to have a material and adverse effect upon (A) the due performance by the Issuer of the transactions contemplated by the Bond Documents, (B) the validity or enforceability of the Bonds, the Resolution, the Bond Documents, or any other agreement or instrument to which the Issuer is a party and that is used or contemplated for use in consummation

of the transactions contemplated hereby and thereby or (C) the exclusion of the interest on the Bonds from gross income for federal income tax purposes and the exemption from State income taxation of the Bonds and interest thereon as set forth in the Official Statement. The Issuer is not subject to any judgment, decree or order entered in any lawsuit or proceeding brought against it that may reasonably be expected to have such an effect.

(i) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is an issuer whose arbitrage certifications may not be relied upon.

(j) The Bond Documents, when executed and delivered by, the Issuer, will be, and this Bond Purchase Agreement constitutes, the legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and as to the availability of equitable remedies.

(k) When the Bonds are issued, sold and delivered to the Underwriter, the representations and certifications of the Issuer herein and in the other Bond Documents will be true, accurate and complete.

(l) The audited financial statements and other financial information for the year ended June 30, 2002, contained in the Preliminary Official Statement and the Official Statement as Appendix B, present fairly the financial position of the Issuer at the date indicated and the results of operations for the period specified, and such financial statement; have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects to the periods involved, except as otherwise stated in the notes thereto.

(m) Since June 30, 2002, there has been no material adverse change in the financial position or results of operations of the Issuer, nor has the Issuer incurred any material liabilities except as set forth in the Preliminary Official Statement and the Official Statement or disclosed to the Underwriter in writing.

(n) The Issuer deems the Preliminary Official Statement to be final as of its date in accordance with subsection (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Issuer deems the Official Statement to be final and complete as of its date for purposes of subsection (b)(3) of such Rule.

(o) Except as described in the Official Statement and Preliminary Official Statement, the Issuer is in compliance with all continuing disclosure agreements or certificates heretofore delivered by the Issuer in connection with the issuance of any Prior Bonds.

## 6. Covenants.

6.1 The Issuer hereby makes the following covenants with the Underwriter:

(a) The Issuer will not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter.

(b) Prior to the Closing Date, the Issuer will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of, the Resolution or the Bond Documents without the prior written consent of the Underwriter.

(c) Prior to the Closing Date, the Issuer will not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interest which will be pledged pursuant to the Resolution or the Bond Documents.

(d) The Issuer will promptly advise the Underwriter of any matter arising or occurring or discovered before Closing or within 90 days after the end of the underwriting period for the Bonds (within the meaning of Rule 15c2-12 under the Exchange Act) that if existing or known at the date hereof would render any of the representations or warranties set forth herein to be untrue or misleading or might adversely affect the correctness or completeness of any statement of a material fact contained in the Official Statement.

(e) If as the result of any matters described in paragraph (d) of this Section it becomes necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement to make the statements contained therein, in light of the circumstances under which they were made, not misleading, the Issuer will, upon notice thereof, promptly prepare and furnish to the Underwriter (at the expense of the Issuer) a reasonable number of copies of an amendment of, or a supplement to, the Official Statement (in form and substance satisfactory to the Underwriter) so that, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) Except as disclosed in the Official Statement, prior to the Closing Date, the Issuer will obtain or cause to be obtained all governmental consents, approvals, orders or authorizations (other than state securities law clearances) of any governmental authority or agency that would constitute a condition precedent to the performance by Issuer of its obligations under the Resolution, the Bond Documents or the Bonds.

(g) The Issuer will not voluntarily undertake any course of action inconsistent with the satisfaction of the requirements applicable to it as set forth in the Bond Documents.

(h) The Issuer will cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter might designate, the cost of which will be borne by the Underwriter, as provided in Section 10.2(iii) below.

(i) The Issuer will not, except as required by law, take or omit to take any action which, under existing law, adversely affects the exemption from federal income taxation of the interest on the Bonds, or adversely affects the West Virginia State tax exemptions with respect to the Bonds and the interest thereon, as set forth in the Official Statement.

(j) The Issuer agrees to comply with all provisions of the Continuing Disclosure Certificate.

7. Conditions of Closing.

7.1 The obligations of the Underwriter to consummate the transactions contemplated hereby are subject to receipt by the Underwriter of the items described in Section 7.2 hereof and to the satisfaction (unless waived by the Underwriter in its sole discretion) of the following conditions:

(a) The representations and warranties made by the Issuer in this Bond Purchase Agreement shall be true and correct as of the Closing Date as if made on such date.

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Bond Purchase Agreement to be performed or complied with prior to closing.

(c) The Bond Documents each shall have been executed and delivered by each of the parties thereto, shall be in full force and effect on and as of the Closing Date and shall not have been amended, modified or supplemented prior to the Closing Date except as may have been agreed to in writing by the Underwriter.

(d) The proceeds of the sale of the Bonds shall be applied as described in the Official Statement.

7.2 In addition to the conditions set forth in Section 7.1, the obligations of the Underwriter to consummate the transactions on the Closing Date contemplated hereby are subject to receipt by the Underwriter of the following items:

(a) An approving opinion of Steptoe & Johnson PLLC, Bond Counsel, in form and substance satisfactory to the Underwriter, dated the Closing Date with respect to the validity and tax-exempt nature of the Bonds, and a supplementary opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriter, to the effect that: (i) this Bond Purchase Agreement has been duly authorized, executed and delivered by the Issuer, (ii) the Official Statement has been duly approved, signed and delivered by the Issuer, (iii) assuming due authorization, execution and delivery by the other parties thereto, the Bond Documents have been duly authorized, executed, acknowledged and delivered by the Issuer, and are legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms (except as enforcement of remedies may be limited by bankruptcy, insolvency or other laws and equitable principles affecting the right of creditors), (iv) the statements contained in the Official Statement under the captions "Introduction," "The Series 2002 Bonds," "Security for the Series 2002 Bonds," "Summary of Certain Provisions of the Resolution," "Tax Matters," and "Appendix C - Form of Opinion of Bond Counsel" do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect, and (v) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(b) An opinion of Hamilton, Burgess, Young & Pollard, pllc, Counsel to the Issuer, addressed to, among others, Bond Counsel and the Underwriter, in form and substance satisfactory to Bond Counsel and the Underwriter, dated the Closing Date, to the effect that: (i) no litigation is pending or, to his knowledge, threatened (a) to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Resolution, (b) in any way contesting the power or the authority of the Issuer for the issuance of the Bonds or the validity of the Bonds, or the Bond Documents, (c) in any way contesting the existence or powers of the Issuer relating to the issuance of the Bonds, (ii) to the best of his knowledge, no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to disclose therein in order to make the statements and information therein with respect to the Issuer not misleading in any material respect, (iii) the Issuer is a body corporate and politic (constituting a governmental agency of the State and existing under the provisions of the Act, pursuant to which the Issuer has full legal right, power and authority to enter into the Bond Documents and each constitutes the legal, valid and binding agreement of the Issuer enforceable in accordance with its respective terms (subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and to general principles of equity), and compliance with the provisions of each thereof will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or any court order or decree or any agreement, contract or other instrument, to which the Issuer is party or otherwise subject or bound, (v) the Official Statement has been duly approved, executed and delivered by the Issuer, and (vi) the statements contained in the Official Statement under the captions "Financing Plan," "Absence of Material Litigation," "Management's Discussion," and "Continuing Disclosure" (as such information pertains to the Issuer) (do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(c) An opinion of Goodwin & Goodwin, LLP, Counsel to the Underwriter, in form and substance satisfactory to the Underwriter.

(d) A certificate of the Issuer, dated the Closing Date, signed by an officer of the Issuer to the effect that (i) the representations and warranties made by the Issuer in this Bond Purchase Agreement are true and correct as of the Closing Date with the same effect as if made on the Closing Date; (ii) the Issuer has performed and complied with all agreements and conditions required by this Bond Purchase Agreement to be performed or complied with by it at or prior to the Closing Date; (iii) since the respective dates as of which information is given in the Official Statement, and except as set forth therein, there has not been any material or adverse change in the Issuer's condition, financial or otherwise; (iv) the Official Statement, insofar as it relates to the Issuer, does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) that subsequent to June 30, 2000, the date of the Issuer's most recent audited financial statements included as Appendix B of the Official Statement, there has been no material adverse change in the financial position or results of operations of the Issuer, (vi) that no litigation is pending or, to the knowledge of the Issuer, threatened against the Issuer or its officers (A) to restrain or enjoin issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Resolution, (B) in any way contesting or

affecting any authority for the issuance of the Bonds, or the validity of the Bonds, or the Bond Documents, (C) in any way contesting or affecting the existence or powers of the Issuer or its ability to perform its obligations under the Bond Documents, or (D) that may materially adversely affect the financial condition or operations of the Issuer, (vii) that the Issuer has satisfied all conditions pertaining to the issuance of the Bonds pursuant to the Resolution and all other applicable provisions, and (viii) that no event affecting the Issuer or the transactions contemplated by the Official Statement or the Bond Documents has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used, or which it is necessary to disclose therein in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading.

(e) A Certificate dated as of the Closing Date signed by an authorized officer of the Issuer, sufficient in form and substance to show to the satisfaction of Bond Counsel and the Underwriter that the Bonds will not be arbitrage bonds under Section 148 of the Code and the regulations thereunder, which certificate shall conform to the requirements of said regulations.

(f) A certified copy of the Resolution authorizing the execution and delivery by the Issuer of the Bond Documents, certified by its Secretary.

(g) One executed original of each of the Bond Documents.

(h) The executed IRS Form 8038-G to be filed with the Internal Revenue Service.

(i) Such additional legal opinions, certificates and other documents as the Underwriter or Bond Counsel reasonably may deem necessary to evidence the truth and accuracy as of the Closing Date of the representations and warranties of the Issuer herein contained and of the Official Statement, and to evidence compliance by the Issuer with this Bond Purchase Agreement and all applicable legal requirements, and the due performance and satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by either of them.

7.3 If any of the conditions set forth in Section 7.1 or 7.2 has not been met on the Closing Date, the Underwriter may, in its sole discretion, terminate this Bond Purchase Agreement or proceed to Closing upon waiving any rights under this Bond Purchase Agreement with respect to any such condition. If this Bond Purchase Agreement is terminated pursuant to this Section, neither party will have any rights or obligations to the other, except as provided in Sections 10 and 11 herein.

8. Actions and Events at the Closing. The following events will take place at closing:

(a) The Issuer will direct the Registrar to authenticate and deliver the Bonds to the Underwriter, at the place established pursuant to Section 2 herein. Each of the Bonds so delivered will be in definitive form or, with the consent of the Underwriter, in temporary form, duly executed on behalf of the Issuer, in denominations or maturity amounts of five thousand dollars (\$5,000) or any integral multiple thereof, and will be fully registered in such names and amounts as the Underwriter will request at least four (4) business days prior to the Closing Date. In the event the

Bonds are delivered in temporary form, the Issuer shall deliver the Bonds in definitive form on such date as the Underwriter may reasonably require.

(b) The Issuer will deliver or cause to be delivered at Closing to the Underwriter the documents described in Section 7.2 hereof.

(c) The Underwriter will deliver to the Depository Bank, for the account of the Issuer, immediately available funds in an amount equal to the purchase price of the Bonds set forth as the Net Purchase Price in Exhibit A hereto.

9. Termination of Bond Purchase Agreement. The Underwriter may terminate this Bond Purchase Agreement without liability therefor (except as provided under Section 10) by noticing the Issuer at any time at or prior to the Closing if:

(a) Any legislation is introduced in, or enacted by, the United States Congress, or shall have been reported out of committee, or any decision is rendered by any court of competent jurisdiction or any ruling or regulation, temporary regulation, release or announcement shall have been issued or proposed by the Treasury Department of the United States, the Internal Revenue Service, or any other agency of the government of the United States that, in the reasonable opinion of the Underwriter, has the purpose or effect of subjecting interest on the Bonds to inclusion in gross income for federal income tax purposes or has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(b) Any legislation, ordinance, rule or regulation is introduced in, or enacted by, any governmental body, department or agency of the State of West Virginia, or shall have been reported out of committee, or a decision by any court of competent jurisdiction within the State of West Virginia is rendered, that, in the reasonable opinion of the Underwriter, has the purpose or effect of subjecting the Bonds or the interest thereon to West Virginia state income taxation or otherwise has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(c) Any other action or event shall exist or have transpired which has the purpose or effect, directly or indirectly, of materially adversely affecting the federal or West Virginia income tax consequences of the transactions contemplated by the Official Statement, and in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale at the contemplated offering prices by the Underwriter of the Bonds;

(d) Any fact exists or any event occurs that, in the reasonable opinion of the Underwriter, makes untrue or incorrect in any material respect any statement or information in the Official Statement or causes the Official Statement to contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading for the purposes for which the Official Statement is to be used;

(e) Any amendment of or supplement to the Official Statement is distributed (whether or not such amendment or supplement was approved by the Underwriter prior to its distribution)

which, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(f) There shall have occurred any outbreak, continuation or resumption of hostilities, whether declared or undeclared, or other national or international calamity or crisis, which, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(g) Any legislation is introduced in, or enacted by the United States Congress, or any action is taken by, or on behalf of, the Securities and Exchange Commission, that in the opinion of the Underwriter has the effect of requiring (i) the registration of a security under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended, in connection with the offering and sale of the Bonds or (ii) any governmental consents, approvals, orders or authorizations for the consummation of the transactions contemplated by this Bond Purchase Agreement, the Official Statement, or the other Bond Documents, which cannot, without undue expense, be obtained prior to the Closing Date;

(h) There shall have occurred a general suspension of trading on the New York Stock Exchange, or a general banking moratorium is declared by the United States or by the State of West Virginia authorities, that, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices; or

(i) Any fact exists or any event occurs that is not disclosed in the Preliminary Official Statement, which after disclosure in the Official Statement affects the ability of the Underwriter to sell the Bonds at the contemplated offering prices.

#### 10. Expenses.

10.1 The Issuer will pay or cause to be paid from proceeds of the Bonds or otherwise (i) fees and expenses of bond counsel, counsel to the Issuer, and Underwriter's counsel; (ii) initial fees of the Registrar and Paying Agent; (iii) fee for obtaining "CUSIP Numbers" for the Bonds; (iv) costs of preparing, printing, mailing and delivering the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto; and (v) any other costs and expenses of the issue not set forth in Section 10.2 below.

10.2 The Underwriter will pay (i) sales commissions associated with marketing the Bonds; (ii) costs of qualification of the Bonds for sale under the securities or "Blue Sky" laws of various jurisdictions; (iii) initial fees relating to The Depository Trust Company; and (iv) costs and expenses incurred by the Underwriter in connection with the preparation, offering and distribution of the Bonds, including but not limited to advertising, local and long distance telephone, and travel expenses, as well as management fees in connection with such offering.

10.3 In the event that the Issuer or the Underwriter shall have temporarily paid obligations of the other as set forth in this Section, appropriate adjustments will promptly be made.

10.4 Nothing herein will limit the rights of the Issuer to take action against the Underwriter for default of its responsibilities hereunder or for its actions or inactions regarding the matters contemplated herein.

11. Indemnification.

11.1 To the extent permitted by the laws of the State, the Issuer agrees to indemnify and hold harmless the Underwriter, each director, officer, attorney, agent or employee of the Underwriter, and each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended, or within the meaning as determined by the Office of the Comptroller of the Currency (each hereafter, an "Indemnified Party"), from and against all losses, claims, damages, liabilities, settlements and expenses, joint or several, to which each Indemnified Party may become subject, under federal laws or regulations or otherwise, insofar as such losses, claims, damages, liabilities, settlements and expenses, or actions in respect thereof (i) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact pertaining to the Issuer as set forth in the Official Statement, or any amendment or supplement thereto, or the Preliminary Official Statement, or arise out of or are based upon the omission or alleged omission to state therein a material fact pertaining to the Issuer required to be stated therein or necessary to make the statements therein not misleading, or (ii) arise out of or are based upon any claim that the issuance of the Bonds violated any requirements contained in pre-existing bond documents, and the Issuer will assume the defense of any action against any Indemnified Party based upon allegations of any such loss, claim, damage, liability or action, including the retaining of counsel approved by the Indemnified Party (which approval shall not be unreasonably withheld) and the payment of counsel fees and all other expenses relating to such defense, provided, however, that each Indemnified Party may retain separate counsel in any such action and may participate in the defense thereof (at its expenses, unless the retention of such counsel has been specifically authorized by the Issuer); and provided further, that the Issuer will not be liable to the Underwriter or any Indemnified Party related to it, in any such case to the extent that any such loss, claim, damage, liability and expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any such documents under the caption "Underwriting."

11.2 Promptly after receipt by an Indemnified Party under this Bond Purchase Agreement of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against the Issuer under this Bond Purchase Agreement, notify the Issuer of the commencement thereof, but failure to give such notice shall not relieve the Issuer of its indemnification obligations under this Bond Purchase Agreement unless and to the extent that such failure causes actual harm or prejudice to the Issuer. In case any such action is brought against any Indemnified Party, and it notifies the Issuer of the commencement thereof, the Issuer (i) will assume the defense thereof if and as required under this Bond Purchase Agreement, with counsel satisfactory to the Indemnified Party or (ii) if not required to assume the defense, will be entitled to participate in, and, to the extent that it may wish, jointly with any other Indemnifying Party similarly notified, to assume the defense thereof, with counsel satisfactory to such Indemnified Party. After notice from the Issuer to such Indemnified Party of its assumption of the defense, the Issuer will not be liable to such Indemnified Party in connection with the defense thereof other than for reasonable expenses incurred by the Indemnified Party and its counsel, reimbursement of out-of-pocket expenses and other reasonable costs of investigation or participation in the defense of the claim.

12. Miscellaneous.

12.1 All notices, demands and formal actions hereunder will be written and mailed, telegraphed or delivered to the following address or such other address as either of the parties shall specify:

IF TO THE ISSUER:

Armstrong Public Service District  
P.O. Box 775  
Kimberly, WV 25535  
Attention: Chairman

IF TO THE UNDERWRITER:

Crews & Associates, Inc.  
300 Summers Street, Suite 930  
Charleston, WV 25301

12.2 This Bond Purchase Agreement will inure to the benefit of and be binding upon the parties hereto and their successors and will not confer any rights upon any other person. The term "successor" will not include any purchaser of any of the Bonds from the Underwriter merely because of such purchase. All representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Bond Purchase Agreement including, but not limited to, the indemnity agreements contained in Section 11 and the continuing disclosure agreement contained in Section 6.1.

12.3 This Bond Purchase Agreement may not be assigned by any of the parties hereto.

12.4 If any provision of this Bond Purchase Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule of public policy, or any other reason, such circumstances will not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

12.5 The payment for, acceptance of, and delivery and execution of any receipt for the Bonds and any other instruments upon or in connection with the closing by the Underwriter will be valid and sufficient for all purposes and binding upon the Underwriter. No such action by the Underwriter will impose any obligation or liability upon the Underwriter, other than as may arise as expressly set forth in this Bond Purchase Agreement.

12.6 Whenever any action contemplated by this Bond Purchase Agreement requires the consent or approval of the Underwriter, it is acknowledged that the Underwriter may not unreasonably withhold such approval.

12.7 This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia applicable to agreements to be performed wholly therein. The parties hereto intend to be legally bound hereby.

12.8 This Bond Purchase Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

12.9 No personal recourse shall be had for any claim based on this Bond Purchase Agreement or the Bonds against any member, officer, agent or employee, past, present or future, of the Issuer or any successor body or entity as such, either directly or through the Issuer or any such successor body or entity, under any constitutional provision, statute, or rule of law or by the enforcement of an assessment or penalty or otherwise.

CREWS & ASSOCIATES, INC.

By:   
Vice President

Accepted as of the date first above written:

ARMSTRONG PUBLIC SERVICE DISTRICT

By:   
Chairman

EXHIBIT A

\$785,000  
Armstrong Public Service District  
Sewer Refunding Revenue Bonds  
Series 2002 A

Dated Date: December 1, 2002

Closing Date: December 23, 2002

<u>Year</u> (Apr. 1)	<u>Maturity</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2008	\$125,000	4.000%	3.999%	100%	042459 AA5
2013	140,000	4.700	4.699	100	042459 AB3
2018	180,000	5.100	5.300	97.915	042459 AC1
2022	180,000	5.500	5.700	97.669	042459 AD9
2025	160,000	5.600	5.800	97.506	042459 AE7

## Redemption Provisions

The Bonds are subject to redemption prior to their stated maturities.

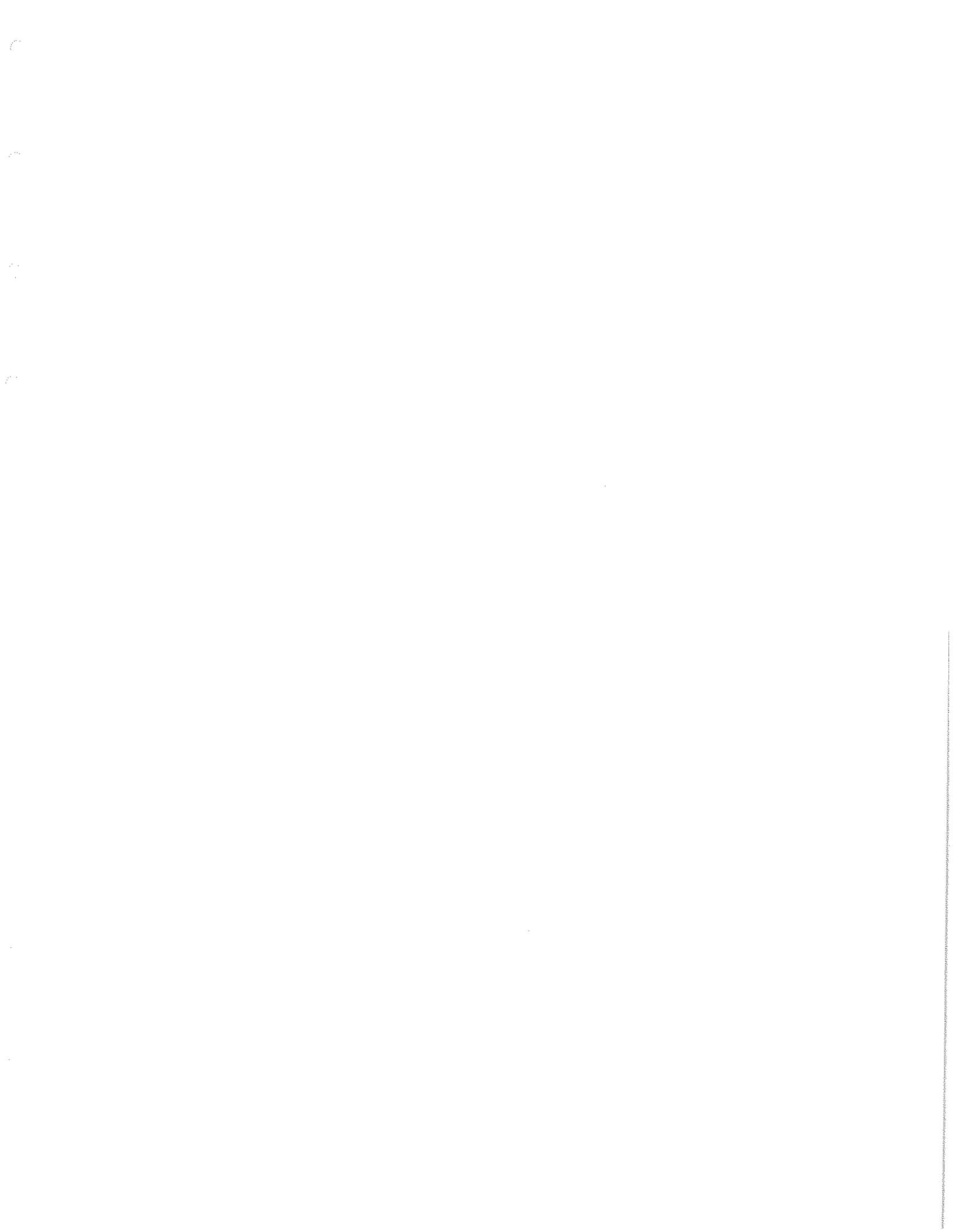
### Optional Redemption

The Bonds maturing on and after April 1, 2013, are subject to redemption, on or after April 1, 2008, at the option of the Issuer, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at the applicable Redemption Price (expressed as percentages of the principal amount to be so redeemed) set forth in the table below, plus interest, if any, accrued to the date fixed for redemption.

Optional Redemption Period <u>(both dates inclusive)</u>	<u>Redemption Price</u>
April 1, 2008 to March 31, 2009	102%
April 1, 2009 to March 31, 2010	101
April 1, 2010 and thereafter	100

### Net Purchase Price:

Par Amount	\$785,000.00
Less: Underwriter's Discount	(25,000.00)
Less: Original Issue Discount	<u>(11,939.20)</u>
Net Bond Proceeds	\$748,060.80
Plus: Accrued Interest	<u>2,421.22</u>
Net Purchase Price	\$750,482.02



CONTINUING DISCLOSURE CERTIFICATE

ARMSTRONG PUBLIC SERVICE DISTRICT  
as Issuer,

Dated as of December 1, 2002

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THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made and entered into as of the 1<sup>st</sup> day of December, 2002, by ARMSTRONG PUBLIC SERVICE DISTRICT (the "Issuer).

RECITALS:

WHEREAS, the Issuer has issued or will issue its \$785,000 Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"), pursuant to a Bond Resolution approved on December 5, 2002 (the "Resolution"), to (i) repay certain existing indebtedness; (ii) fund a debt service reserve for the Bonds; and (iii) to pay costs relating to the issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement dated December 9, 2002, and an Official Statement dated December 12, 2002 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated as of December 1, 2002 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Issuer wishes to provide for the disclosure of certain information concerning the Bonds and other matters on a continuing basis as set forth herein for the benefit of the Bondholders in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Resolution, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

**Section 1. Definitions; Scope of this Certificate.**

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Resolution, as amended and supplemented from time to time. In addition, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean annual financial information and operating data customarily prepared by the Issuer and which is publicly available and which appears in the Offering Document. The Issuer customarily prepares audited annual financial information using generally accepted accounting procedures, provided however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. This Annual Financial Information is customarily available to the public.

"Disclosure Representative" shall mean the Chairman of the Issuer, and any successor thereto, or such other person as the Issuer may from time to time designate in writing.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall mean, as to the Issuer, any of the events listed in items (i) through (xii) below, the occurrence of which the Issuer and/or the Disclosure Representative obtains knowledge, and which the Issuer or Disclosure Representative determines would constitute material information for Bondholders, provided, that the occurrence of an event described in clauses (iii), (v), (vi), (vii), (x), (xi) and (xii) shall always be deemed to be material. The following events, if material, shall constitute Material Events:

- (i) any delinquency in the payment of principal of or interest on the Bonds;
- (ii) any nonpayment related Event of Default under the Resolution;
- (iii) the occurrence of any unscheduled draws on any debt service reserve fund or account under the Resolution reflecting financial difficulties;
- (iv) the occurrence of any unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) any substitution of credit or liquidity providers or the failure of any such credit or liquidity providers to perform;
- (vi) any adverse tax opinions or other events affecting the exclusion from gross income of the interest on the Bonds;
- (vii) any modifications of the rights of any Bondholder;
- (viii) the notice to the Bondholders of any optional or other unscheduled redemption;
- (ix) the defeasance of any Bonds;
- (x) the release, substitution or sale of property securing the repayment of the Bonds;
- (xi) any change in any rating provided by a nationally recognized municipal securities rating agency on the Bonds; and
- (xii) any other material event affecting the Bonds or the Issuer.

"NRMSIR" shall mean all of the Nationally Recognized Municipal Securities Information Repositories as of the date hereof, as set forth in EXHIBIT A hereto, and all future Nationally Recognized Municipal Securities Information Repositories approved by the SEC from time to time.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Release" shall mean Securities and Exchange Commission Release No. 34-34961.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository, as such term is used in the Release, if and when a SID is created for the State.

"State" shall mean the State of West Virginia.

"Turn Around Period" shall mean two (2) business days with respect to Material Event occurrences disclosed by the Issuer to the Disclosure Representative, or, which otherwise become known to the Disclosure Representative.

(B) This Certificate applies to the Bonds and any additional bonds or other obligations issued under the Resolution or any supplement thereto.

(C) The Disclosure Representative shall have no obligation to make disclosure in connection with the Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Representative under any other agreement with the Issuer.

## **Section 2. Disclosure of Information.**

(A) General Provisions. This Certificate governs the Issuer's direction to the Disclosure Representative, with respect to information to be made public and in its actions under this Certificate.

(B) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 3 hereof, the Issuer shall make or cause the Disclosure Representative to make public the information set forth in subsections (1) and (2) below:

(1) Annual Financial Information. Annual Financial Information of the Issuer at least annually not later than December 31 (the "Disclosure Date"), beginning with the fiscal year ending June 30, 2003, and continuing with each fiscal year thereafter, shall be subject to disclosure. The Disclosure Representative shall, on behalf of the Issuer, provide Annual Financial Information to the NRMSIR and SID not later than the Disclosure Date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(C) Information Provided by Disclosure Representative to Public.

(1) The Issuer directs the Disclosure Representative on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Representative agrees to act as the Issuer's agent in so making public, as regards the operations of the Issuer, the following:

- (a) Annual Financial Information;
- (b) Material Event occurrences; and
- (c) such other information as the Issuer shall determine to make public through the Disclosure Representative.

The Issuer shall provide such information to the Disclosure Representative in the form required by subsection (C)(2) of this Section 2. If the Issuer chooses to include any information in any financial information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future financial information report or notice of occurrence of a Material Event.

(2) The information, which the Issuer has agreed to make public, shall be in the following form:

(a) as to all notices, reports and financial statements to be provided to the Disclosure Representative by the Issuer, in the form of notice required by the Resolution, this Certificate or other applicable document or agreement; and

(b) as to all other notices or reports, in such form as the Disclosure Representative shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Representative shall make public the Annual Financial Information and Material Event occurrences within the applicable Turn Annual Period. Notwithstanding the foregoing, Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Issuer to the Disclosure Representative has not been provided on a timely basis, the Disclosure Representative shall make such information public as soon thereafter as it is provided to the Disclosure Representative.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Issuer or the Disclosure Representative under this Certificate if it is transmitted to one or more of the following as provided in subsection (D)(2) of this Section 2:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Resolution;

(b) to each NRMSIR, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a NRMSIR by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the NRMSIR;

(c) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a SID by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SID;

(d) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the MSRB by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the MSRB; and/or

(e) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the SEC by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Material Events shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(b) any notice of a failure by the Issuer to provide required Annual Financial Information, on or before the date required by this Certificate shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(c) any other information which the Issuer decides to make public shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State); and

(d) all information described in clauses (a) and (b) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request.

Nothing in this subsection shall be construed to relieve the Registrar and Paying Agent under the Resolution, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Resolution, but nothing herein shall be construed to require the them to take any actions other than those set forth in the Resolution.

Nothing in this Certificate shall be construed to require the Disclosure Representative to interpret or provide an opinion concerning the information made public. If the Disclosure Representative receives a request for an interpretation or opinion, the Disclosure Representative may refer such request to the Issuer for response.

**Section 3. Amendment or Modification.**

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate (and the Disclosure Representative shall agree to any amendment so requested by the Issuer) and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws acceptable to the Issuer to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

**Section 4. Miscellaneous.**

(A) Compliance with Prior Continuing Disclosure Certificates. The Issuer certifies that, except as is set forth in the Preliminary Official Statement and the Official Statement, it is as of the date hereof in compliance with the provisions of all continuing disclosure certificates or similar agreements or certificates heretofore delivered in connection with the issuance of any prior bonds.

(B) Representations. The Issuer represents and warrants (i) that it has duly authorized the execution and delivery of this Certificate by its Chairman, (ii) that it has all requisite power and authority to execute and deliver, and perform this Certificate under its organizational documents and any resolutions now in effect, (iii) that the execution and delivery of this Certificate, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, resolution, decree, agreement or instrument by which it is bound, and (iv) that it is not aware of any litigation or proceeding pending, or, to the best of its knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Certificate, or its due authorization, execution and delivery of this Certificate, or otherwise contesting or questioning the issuance of the Bonds.

(C) Governing Law. This Certificate shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Certificate shall be interpreted and construed in a manner consistent therewith.

(D) Severability. If a court of competent jurisdiction hereof shall hold any provision invalid or unenforceable, the remaining provisions hereof shall survive and continue in full force and effect.

(E) Counterparts. This Certificate may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(F) Termination. This Certificate may be terminated by the Issuer upon thirty days' written notice of termination, provided that notice of the termination of this Certificate is provided to each NRMSIR, the appropriate SID, if any, and/or the MSRB and further provided that nationally recognized bond counsel provides an opinion that the new continuing disclosure certificate is in compliance with all State and Federal Securities laws; provided, however, the termination of this Certificate is not effective until the Issuer, or its successor, enters into a new continuing disclosure certificate and agrees to continue to provide, to each NRMSIR, SID and/or the MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB.

This Certificate shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or defeasance or at maturity, or if the Rule should be changed so as to no longer require this Certificate.

(G) Defaults: Remedies. The Issuer shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If a default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to the Issuer, the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds shall, or any Bondholder may, take such actions as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Issuer to comply with its obligations under this Certificate. The Issuer acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder; and, therefore, agrees that the remedy of specific performance shall be the sole remedy available in any proceeding to enforce this Certificate. The occurrence of any event of default as provided in this Certificate shall not constitute an event of default under the Resolution.

(H) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Representative, the Participating Underwriter and Bondholders and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Issuer has caused it duly authorized officer to execute this Certificate as of the day, month and year first have been written.

ARMSTRONG PUBLIC SERVICE DISTRICT

By: Thomas Beiser  
Chairman

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of December 1, 2002:

### Bloomberg Municipal Repository

100 Business Park Drive

Skillman, New Jersey 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)

Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

### DPC Data Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

<http://www.dpcdata.com>

Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

### FT Interactive Data

Attn: NRMSIR

100 William Street

New York, New York 10038

Phone: (212) 771-6999

Fax: (212) 771-7390 (Secondary Market Information)

(212) 771-7391 (Primary Market Information)

<http://www.interactivedata.com>

Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

### Standard & Poor's J. J. Kenny Repository

55 Water Street

45th Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)

Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

\$785,000  
ARMSTRONG PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BONDS  
SERIES 2002 A

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Crews & Associates, Inc. (the "Underwriter") that he is the duly appointed and acting Chairman of the Armstrong Public Service District (the "District") authorized to execute and deliver this Certificate and further certifies on behalf of the District to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the District's Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated December 9, 2002, setting forth information concerning the Bonds and the issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, the identity of the Underwriter and other terms of the Bonds and any underlying obligations depending on such matters, all with respect to the Bonds and any underlying obligations.

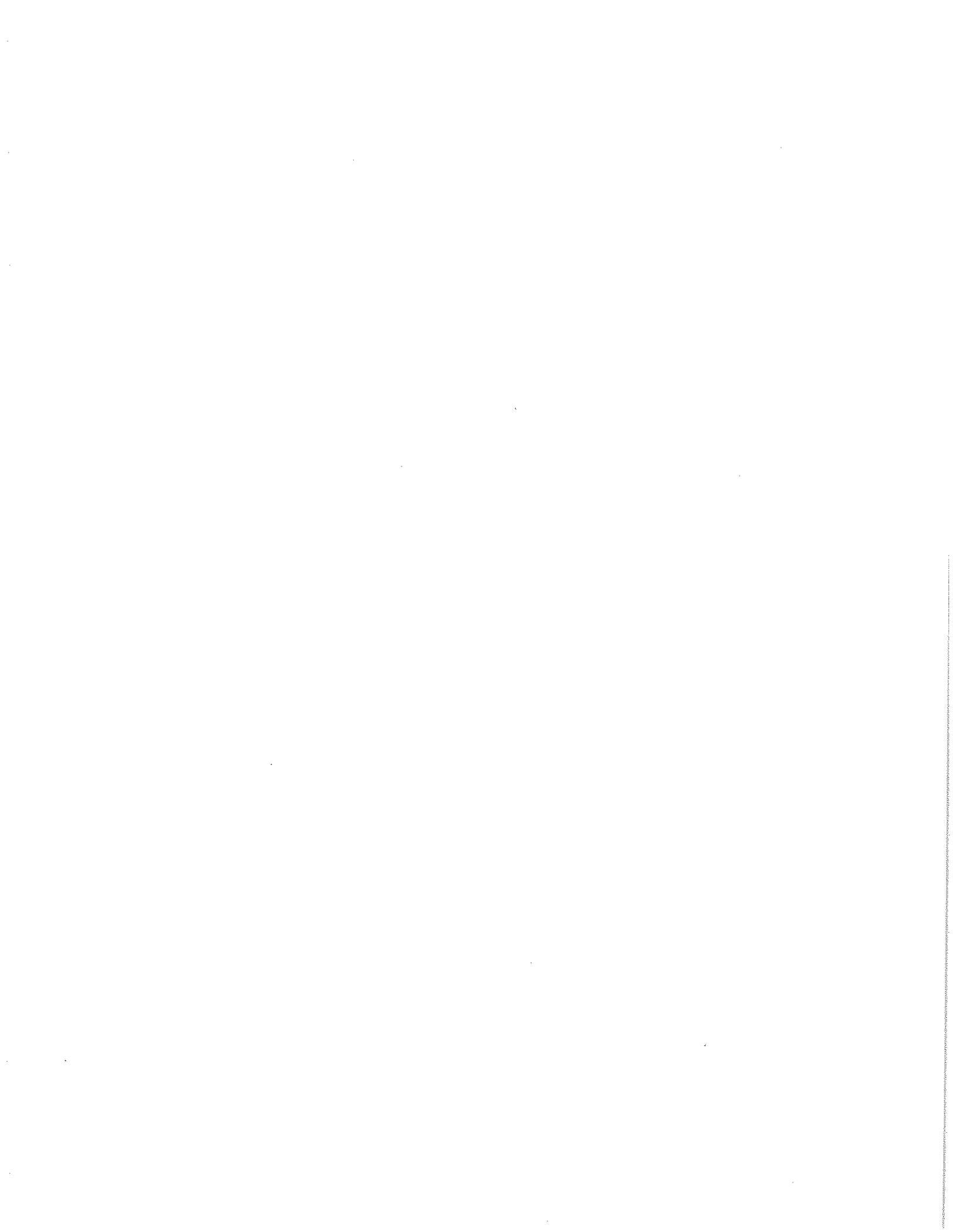
(4) The Preliminary Official Statement is, except for the Permitted Omissions, final as of its date, and the information therein is accurate and complete except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final bond purchase agreement, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 23<sup>rd</sup> day of December, 2002.

Thomas Bowen  
Thomas Bowen, Chairman





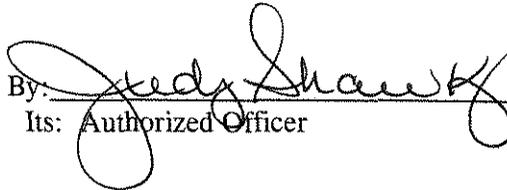
\$785,000  
ARMSTRONG PUBLIC SERVICE DISTRICT  
Sewer Refunding Revenue Bonds, Series 2002 A

ACCEPTANCE OF APPOINTMENT OF DEPOSITORY BANK

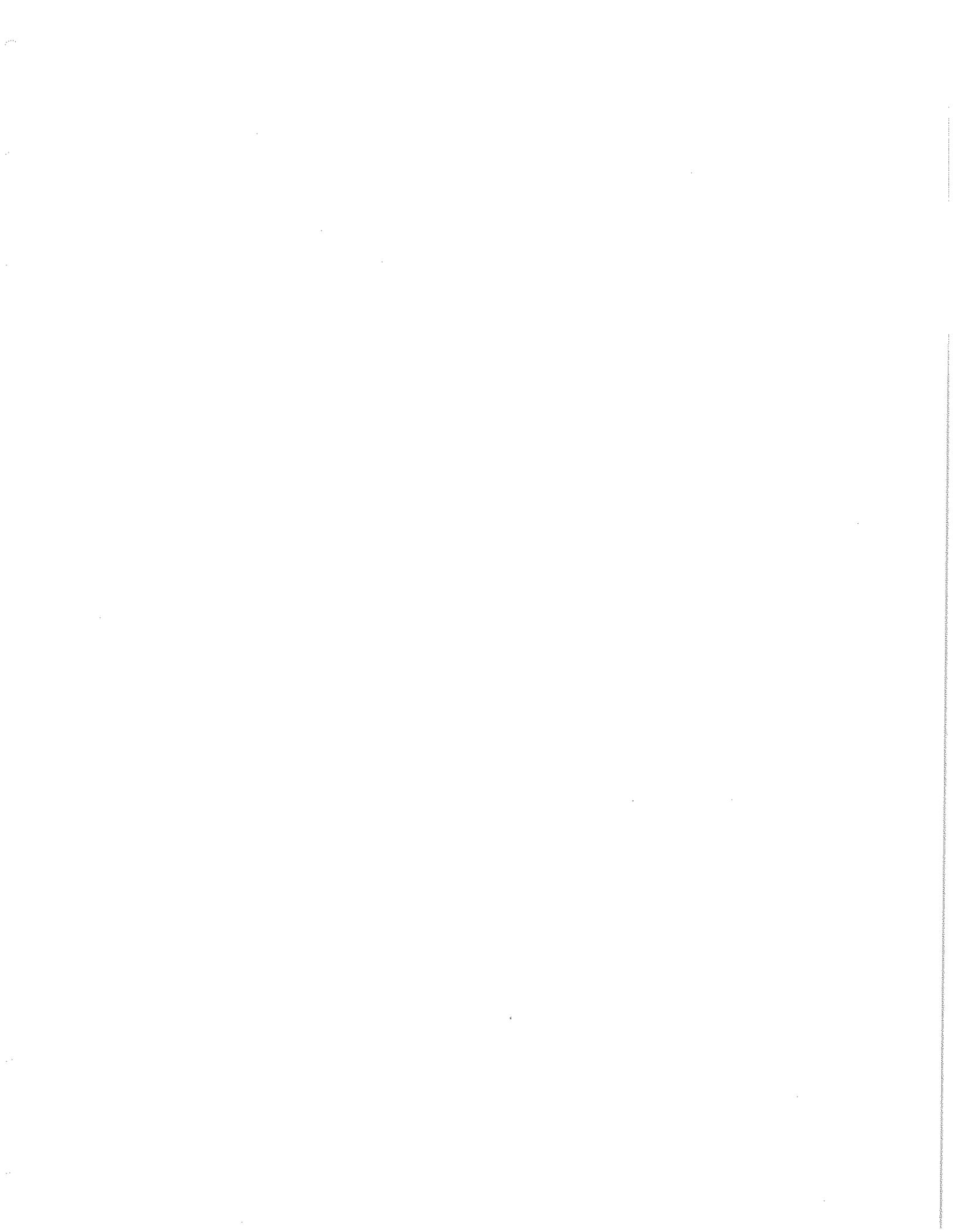
City National Bank, a national banking corporation, with its principal office in Montgomery, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Armstrong Public Service District (the "Issuer"), adopted December 5, 2002, and a Supplemental Resolution of the Issuer adopted December 12, 2002 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Refunding Revenue Bonds, Series 2002 A, dated December 1, 2002, in the principal amount of \$785,000 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature this 23rd day of December, 2002.

CITY NATIONAL BANK

By:   
Its: Authorized Officer

12/17/02  
028360.00001



# The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer]

Armstrong Public Service District

[Name of Issuer]

November 21, 2002

[Date]

[For Municipal Issues:

Underwriting Department—Eligibility; 50th Floor]

[For Corporate Issues:

General Counsel's Office; 49th Floor]

**The Depository Trust Company**

55 Water Street

New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Armstrong Public Service District

[Issuer]

By: Thomas Bowen

(Authorized Officer's Signature)

Thomas Bowen, Chairman

(Print Name)

Post Office Box 156

(Street Address)

Kimberly, West Virginia 25118

(City) (State) (Country)

(Zip Code)

(304) 442-4957

(Phone Number)

(E-mail Address)

Received and Accepted:

**THE DEPOSITORY TRUST COMPANY**

By: [Signature]



**The Depository Trust &  
Clearing Corporation**

(To Blanket Issuer Letter of Representations)

**SAMPLE OFFERING DOCUMENT LANGUAGE  
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

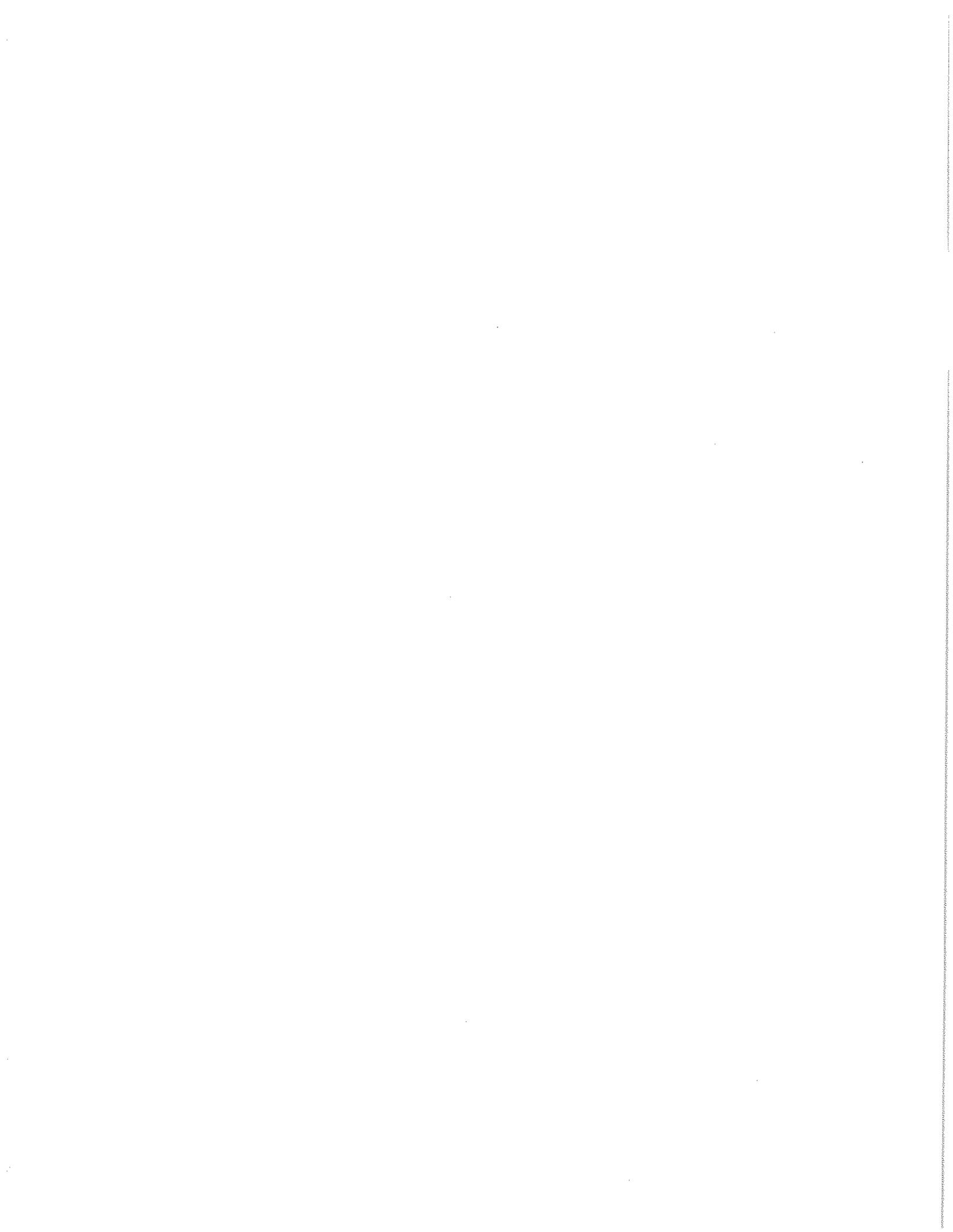
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.



\$785,000  
ARMSTRONG PUBLIC SERVICE DISTRICT  
Sewer Refunding Revenue Bonds, Series 2002 A

REGISTRAR AGREEMENT

THIS AGREEMENT, dated as of the 23rd day of December, 2002, by and between ARMSTRONG PUBLIC SERVICE DISTRICT, a public service district, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED BANK, INC., Charleston, WV, a state banking corporation (the "Bank").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$785,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2002 A, in fully registered form (the "Bonds"), pursuant to a Resolution adopted December 5, 2002, as supplemented (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Agreement does appoint the Bank to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar, as set forth in the Bond Legislation, such duties including,

among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement, the Issuer hereby agrees to pay to the Bank, the compensation for services rendered as provided in the annexed fee schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER:                   Armstrong Public Service District  
                                  Post Office Box 156  
                                  Kimberly, West Virginia 25118  
                                  Attention: Chairman

REGISTRAR: United Bank, Inc.  
500 Virginia Street, East  
Charleston, WV 25301  
Attention: Trust Department

8. The Bank is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

9. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in their respective names and on their behalf, all as of the day and year first above-written.

ARMSTRONG PUBLIC SERVICE DISTRICT

By: Thomas Bower  
Its: Chairman

UNITED BANK, INC.

By: K. J. Smith  
Its: Authorized Officer

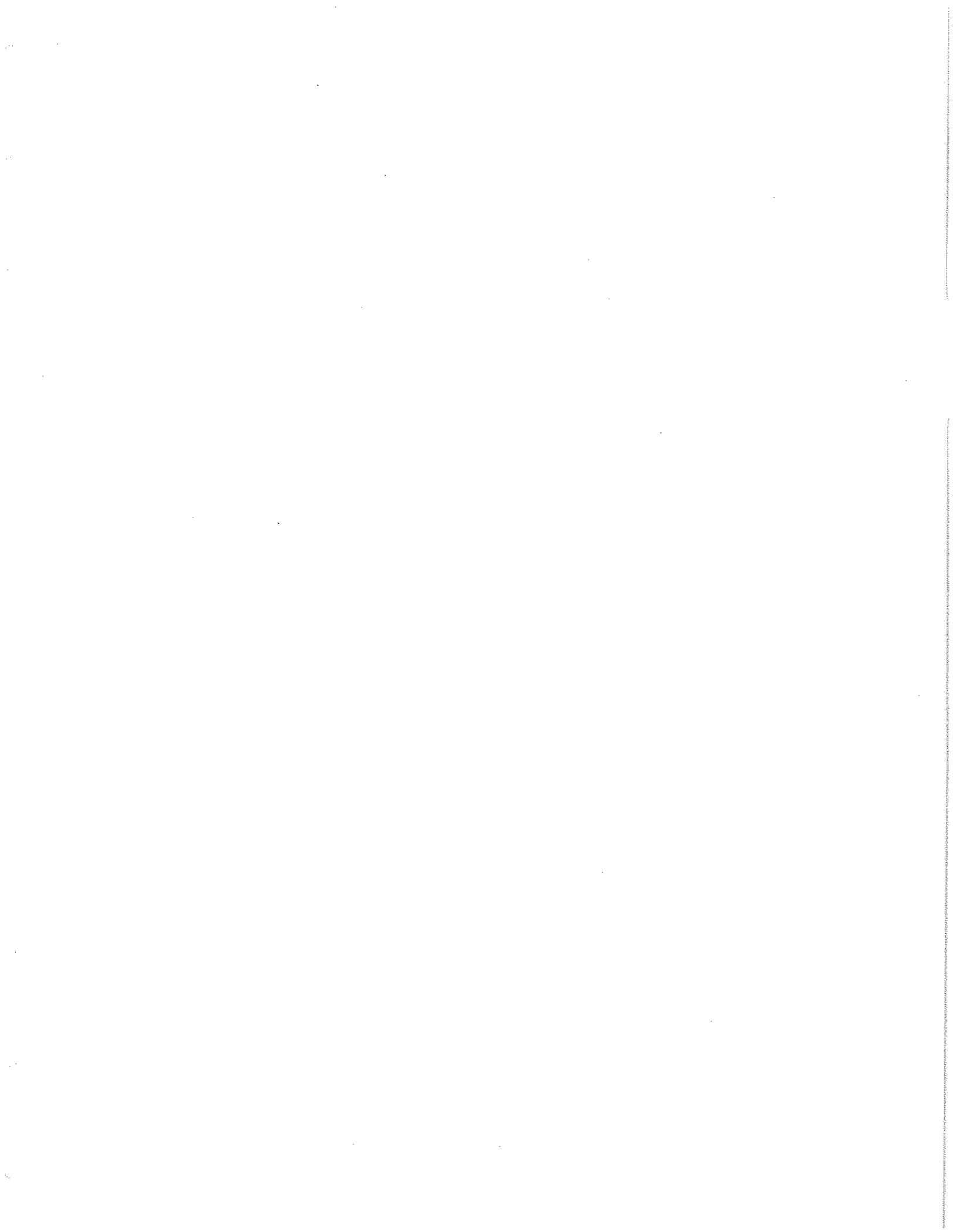
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EXHIBIT A

BOND LEGISLATION

[Included in Transcript as Document Nos. 1 and 2]

FEE SCHEDULE



\$785,000  
ARMSTRONG COUNTY PUBLIC SERVICE DISTRICT

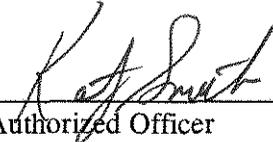
Sewer Refunding Revenue Bonds, Series 2002 A

CERTIFICATE OF REGISTRATION OF BOND

United Bank, Inc., Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the Sewer Refunding Revenue Bonds, Series 2002 A, of Armstrong Public Service District (the "Issuer"), hereby certifies that on the date hereof, the fully registered Armstrong County Public Service District Sewer Refunding Revenue Bonds, Series 2002 A, of the Issuer, dated December 1, 2002, in the aggregate principal amount of \$785,000, numbered AR-1 through AR-5, were registered as to principal and interest in the name of "Cede & Co." in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of United Bank, Inc., as Registrar.

WITNESS my signature on this 23rd day of December, 2002.

UNITED BANK, INC.

By:   
Its: Authorized Officer

12/18/02  
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**Information Return for Tax-Exempt Governmental Obligations**

Under Internal Revenue Code section 149(e)

See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

**FILE COPY**

**Part I Reporting Authority** If Amended Return, check here

1 Issuer's name <b>Armstrong Public Service District</b>	2 Issuer's employer identification number <b>55 : 6005876001</b>
3 Number and street (or P.O. box if mail is not delivered to street address) <b>Box 156</b>	Room/suite 4 Report number <b>3 2002-1</b>
5 City, town, or post office, state, and ZIP code <b>Kimberly, West Virginia 25118</b>	6 Date of issue <b>December 23, 2002</b>
7 Name of issue <b>Sewer Revenue Refunding Bonds, Series 2002 A</b>	8 CUSIP number <b>042459 AE7</b>
9 Name and title of officer or legal representative whom the IRS may call for more information <b>Thomas Bowen, Chairman</b>	10 Telephone number of officer or legal representative <b>( 304 ) 442.4957</b>

**Part II Type of Issue (check applicable box(es) and enter the issue price)** See instructions and attach schedule

11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input checked="" type="checkbox"/> Environment (including sewage bonds)	15 <b>773,061</b>
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe $\blacktriangleright$	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

RECEIVED  
FEB 23 2003  
OGDEN, UT  
IRS-OSC

**Part III Description of Obligations. Complete for the entire issue for which this form is being filed.**

(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21 <b>April 1, 2025</b>	<b>\$ 773,061</b>	<b>\$ 55,000</b>	<b>13.569 years</b>	<b>5.4218 %</b>

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

22 Proceeds used for accrued interest	22 <b>2,421.22</b>
23 Issue price of entire issue (enter amount from line 21, column (b))	23 <b>773,061</b>
24 Proceeds used for bond issuance costs (including underwriters' discount)	24 <b>66,595</b>
25 Proceeds used for credit enhancement	25 <b>-0-</b>
26 Proceeds allocated to reasonably required reserve or replacement fund	26 <b>62,940</b>
27 Proceeds used to currently refund prior issues	27 <b>643,526</b>
28 Proceeds used to advance refund prior issues	28 <b>-0-</b>
29 Total (add lines 24 through 28)	29 <b>773,061</b>
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30 <b>-0-</b>

**Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)**

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	14.710 years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A years
33 Enter the last date on which the refunded bonds will be called	12/23/2002
34 Enter the date(s) the refunded bonds were issued	March 26, 1985

**Part VI Miscellaneous**

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35 <b>-0-</b>
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a <b>-0-</b>
b Enter the final maturity date of the guaranteed investment contract	37a <b>-0-</b>
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer	
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>	
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>	
40 If the issuer has identified a hedge, check box <input type="checkbox"/>	

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

**Sign Here**

Thomas Bowen  
Signature of issuer's authorized representative

12/22/02  
Date

Thomas Bowen, Chairman  
Type or print name and title



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

NEW ISSUE REPORT FORM

Date of Report: December 23, 2002

(See Reverse for Instructions)

ISSUE: <u>Armstrong Public Service District Sewer Refunding Revenue Bonds, Series 2002 A</u>	
ADDRESS: <u>P. O. Box 156, Kimberly, West Virginia 25118</u>	COUNTY: <u>Fayette</u>
PURPOSE OF ISSUE: New Money: _____ Refunding: <u>X</u>	REFUNDS ISSUE(S) DATED: <u>March 26, 1985</u>
ISSUE DATE: <u>December 1, 2002</u>	CLOSING DATE: <u>December 23, 2002</u>
ISSUE AMOUNT: <u>\$785,000</u>	RATE: <u>See attached Debt Service Schedule</u>
1ST DEBT SERVICE DUE: <u>April 1, 2003</u>	1ST PRINCIPAL DUE: <u>April 1, 2003</u>
1ST DEBT SERVICE AMOUNT: <u>\$23,206.67</u>	PAYING AGENT: <u>Municipal Bond Commission</u>
BOND COUNSEL: <u>Step toe &amp; Johnson PLLC</u> Contact Person: <u>John C. Stump, Esquire</u> Phone: <u>304.353.8196</u>	UNDERWRITERS COUNSEL: <u>Goodwin &amp; Goodwin LLP</u> Contact Person: <u>William K. Bragg, Esquire</u> Phone: <u>304.346.7000</u>
CLOSING BANK: <u>City National Bank</u> Contact Person: <u>Judy Shawkey</u> Phone: <u>304.442.6019</u>	ESCROW TRUSTEE: _____ Contact Person: _____ Phone: _____
KNOWLEDGEABLE ISSUER CONTACT Contact Person: <u>Thomas Bowen</u> Position: <u>Chairman</u> Phone: <u>304.442.4957</u>	OTHER: _____ Contact Person: _____ Function: _____ Phone: _____
DEPOSITS TO MBC AT CLOSE: By: <u>x</u> Wire <u>_____</u> Check	<u>x</u> Accrued Interest: \$ <u>2,421.22</u> <u>_____</u> Capitalized Interest: \$ _____ <u>x</u> Reserve Account: \$ <u>62,940.00</u> <u>_____</u> Other: \$ _____
REFUNDS & TRANSFERS BY MBC AT CLOSE By: <u>_____</u> Wire <u>_____</u> Check <u>_____</u> IGT <u>_____</u> Internal Transfer	To Escrow Trustee: \$ _____ To Issuer: \$ _____ To Cons. Invest. Fund: \$ _____ To Other: \$ _____
NOTES: _____ _____	
<b>FOR MUNICIPAL BOND COMMISSION USE ONLY:</b> 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."

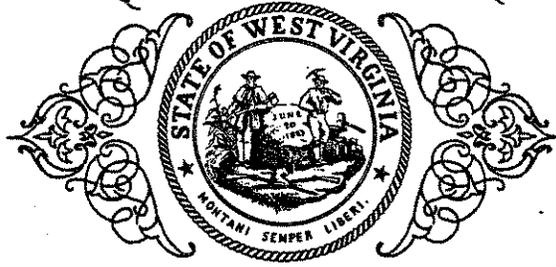
Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please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

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

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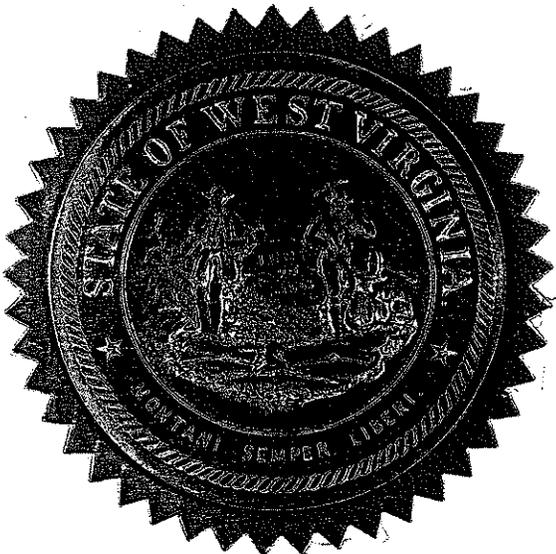
# State of West Virginia



## Certificate

*I, Joe Manchin, III, Secretary of State of the  
State of West Virginia, hereby certify that*

**THIS IS A TRUE COPY OF CHAPTER 16, ARTICLE 13A, OF THE  
WEST VIRGINIA CODE, CHAPTER 16, ARTICLE 13A OF THE  
2002 CUMULATIVE SUPPLEMENT TO THE WEST VIRGINIA CODE, AS  
INDICATED BY THE RECORDS OF THIS OFFICE.**



*Given under my hand and the  
Great Seal of the State of  
West Virginia on*

April 30, 2003

A handwritten signature in cursive, appearing to read "Joe Manchin, III".

By: *Administrative Assistant*  
Secretary of State

jurisdiction and authority provided by this section does not extend to highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways and no rates, fees or charges for stormwater services or costs of compliance may be assessed against highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways. (1955, c. 135; 1967, c. 105; 1994, c. 61; 2001, c. 212.)

**Effect of amendment of 2001.** — Acts 2001, c. 212, effective July 13, 2001, substituted “the” for “such” throughout, substituted “the” for “said” throughout, inserted “fees” following “rates” throughout; in the first paragraph, inserted “and/or stormwater system” following “existing sewer system”, inserted “or stormwater system” following “such sewer system”; in the second paragraph, inserted “or stormwater” following “sewage”, inserted “or

stormwater facilities” following “sewer facilities”; in the fourth paragraph, added “or entire stormwater works” to the end; in the sixth paragraph, deleted “such” following “fixing” and “publication of”; in the eighth paragraph, deleted “such” preceding “rates” twice; and in the last paragraph, added the proviso.

Applied in *City of Morgantown v. Town of Star City*, 156 W. Va. 529, 195 S.E.2d 166 (1973).

**§ 16-13-24. Article to be construed liberally.**

This article being necessary for the public health, safety and welfare, it shall be liberally construed to effectuate the purpose thereof. (1933, Ex. Sess., c. 25, § 24.)

Quoted in *West Virginia Water Serv. Co. v. Cunningham*, 143 W. Va. 1, 98 S.E.2d 891 (1957).

**ARTICLE 13A.**

**PUBLIC SERVICE DISTRICTS FOR WATER, SEWERAGE AND GAS SERVICES.**

- |  |   |
|--|---|
| <p>Sec.<br/>16-13A-1. Legislative findings.<br/>16-13A-1a. Jurisdiction of the public service commission.<br/>16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.<br/>16-13A-1c. General purpose of districts.<br/>16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.<br/>16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.</p> | <p>Sec.<br/>16-13A-3a. Removal of members of public service board.<br/>16-13A-4. Board chairman; members' compensation; procedure; district name.<br/>16-13A-5. General manager of board.<br/>16-13A-6. Employees of board.<br/>16-13A-7. Acquisition and operation of district properties.<br/>16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.<br/>16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.<br/>16-13A-9a. Limitations with respect to foreclosure.</p> |
|--|---|

- |  |   |
|--|---|
| <p>Sec.<br/>16-13A-10. Budget.<br/>16-13A-11. Accounts; audit.<br/>16-13A-12. Disbursement of district funds.<br/>16-13A-13. Revenue bonds.<br/>16-13A-14. Items included in cost of properties.<br/>16-13A-15. Bonds may be secured by trust indenture.<br/>16-13A-16. Sinking fund for revenue bonds.<br/>16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.<br/>16-13A-18. Operating contracts.<br/>16-13A-18a. Sale, lease or rental of water, sewer or gas system by district; distribution of proceeds.</p> | <p>Sec.<br/>16-13A-19. Statutory mortgage lien created; foreclosure thereof.<br/>16-13A-20. Refunding revenue bonds.<br/>16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.<br/>16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.<br/>16-13A-23. Validation of acts and proceedings of public service boards.<br/>16-13A-24. Acceptance of loans, grants or temporary advances.<br/>16-13A-25. Borrowing and bond issuance; procedure.</p> |
|--|---|

**Textbooks.** — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

**Constitutionality.** — The act from which this article was derived, authorizing the creation of public service districts by the county courts of this State, defining the powers and duties of the governing boards of such districts in the acquisition, construction, maintenance, operation, improvement and extension of property supplying water and sewerage services, and authorizing the issuance of bonds of such districts payable solely from revenue to be derived from the operation of such properties, does not violate any provision of the Constitution of this State or the Fourteenth Amendment to the Constitution of the United States. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

**Purpose.** — The purpose of this article is to provide water and sewerage facilities in unincorporated districts. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

The title to Acts 1953, c. 147, is sufficient to give a fair and reasonable index to all of the purposes of the act. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

**Public utilities.** — Public service districts are "public utilities" because they are required to pay a special license fee pursuant to § 24-3-6 for support of the public service commission. 50 Op. Att'y Gen. 447 (1963).

Cited in Berkeley County Pub. Serv. Dist. v. Vitro Corp. of Am., 152 W. Va. 252, 162 S.E.2d 139 (1968); State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987); McClung Invs., Inc. v. Green Valley Community Pub. Serv. Dist., 199 W. Va. 490, 485 S.E.2d 434 (1997).

## § 16-13A-1. Legislative findings.

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been unable to obtain public utility services. To further this effort, and to ensure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts. (1953, c. 147; 1980, c. 60; 1986, c. 81.)

**Authority of county commissions.** — The county courts (now county commissions) may not supersede the authority delegated by them to public service districts created in accordance with the provisions of this article. Op. Att'y Gen., June 27, 1973.

**Public service district — Authority.** — A public service district, which was created only for the purposes of furnishing water services, has no power to condemn real estate for sewerage facilities. Canyon Pub. Serv. Dist. v. Tasa

Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

**Public service district — Purpose.** — The purpose for the creation of a public service district may be ascertained by a review of the order establishing the district and the history behind the creation of the district (the notice of hearing and hearings held prior to the creation of the district). Op. Att'y Gen., July 8, 1976.

Cited in State ex rel. APCO v. Gainer, 149 W. Va. 740, 143 S.E.2d 351 (1965); Shobe v. Latimer, 162 W. Va. 779, 253 S.E.2d 54 (1979).

### § 16-13A-1a. Jurisdiction of the public service commission.

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers, and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b [§ 16-13A-1b] of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters. (1986, c. 81.)

Cited in State ex rel. Water Dev. Auth. v. Northern Wayne County Pub. Serv. Dist., 195 W. Va. 135, 464 S.E.2d 777 (1995).

**§ 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.**

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification: Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission. Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission. (1986, c. 81; 1994, c. 61.)

**§ 16-13A-1c. General purpose of districts.**

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of, properties supplying water or sewerage services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with (1) the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or

other uses (herein sometimes referred to as "water facilities"), (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills") or (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"). (1986, c. 81.)

**§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.**

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) on its own motion by order duly adopted, (2) upon the recommendation of the public service commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: Provided, That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the public service commission, which approval and consent shall be in accordance with rules promulgated by the public service commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: Provided, however, That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services or gas facilities not being furnished within such territory or part thereof: Provided further, That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county

commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three [§§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and

extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the public service commission for such purpose: Provided, That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the public service commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: Provided, however, That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the public service commission. The public service commission shall provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The public service commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the public service commission pursuant to this section and section one-b [§ 16-13A-1b] of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: Provided, That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive,

all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the public service commission shall apply. The commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: Provided, however, That where two or more public service districts are consolidated pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the secretary of state and the public service commission by the first day of July of each year. (1953, c. 147; 1965, c. 134; 1967, c. 105; 1975, c. 140; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1995, c. 125.)

**Editor's notes.** — Concerning the reference in (a) to "the effective date of this section," this language was added by Acts 1986, c. 81, and became effective June 6, 1986.

**Textbooks.** — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

**Constitutionality.** — There is no unlawful delegation of legislative power to the county courts (now county commissions) of this State under this section in violation of W. Va. Const., art. V, § 1, and art. VI, § 1. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

There is no unconstitutional delegation of judicial functions to the county court (now county commission) made by this section. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

**Authority of commission and voters.** —

(1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district; (2) in the absence of any action by a county commission, the requisite number of qualified voters in the affected geographic area may petition a county commission to create, enlarge or reduce a public service district, and, that upon the filing of such petition, a hearing shall be held thereon; (3) the county commission may, in its discretion, refuse to act in an affirmative manner upon such formal petition for creation, enlargement or reduction of such public service district, which action is not subject to protest or public referendum; (4) the county commission may, on its own motion or on the basis of such proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and

public referendum depending upon the number of qualified voters who protest such action. Op. Att'y Gen., Nov. 13, 1975.

**Authority of court.** — A county court (now county commission) has authority to add sewerage services to the facilities of a public service district which was created for the purpose of furnishing water services, under appropriate proceedings. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

**Compliance.** — The provisions of this section relating to the filing of the petition or motion of the county court (now county commission), the description of the territory to be embraced and like provisions are mandatory, but the use of the word "shall" in relation to the requirements for the posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

**Merger or consolidation of districts.** — This section authorizes either merger or consolidation of public service districts. Op. Att'y Gen., June 12, 1985, No. 9.

A merger or consolidation results in one corporation which, in the case of merger, will be the corporation designated by the commissioners as the surviving corporation, and with respect to a consolidation, will be a new corporate entity. Op. Att'y Gen., June 12, 1985, No. 9.

**Overlapping districts.** — Where there is no bond indebtedness outstanding to be paid by a public service district, the county commission creating a public service district may undertake to enlarge or reduce the areas of various overlapping districts or may even consolidate the overlapping districts into one district. Op. Att'y Gen., July 8, 1976.

**Public corporation.** — A public service

district is a public corporation and does not come within the constitutional inhibition requiring all corporations to be created by general law. *State ex rel. McMillion v. Stahl*, 141 W. Va. 233, 89 S.E.2d 693 (1955).

**Referendum.** — There is no authority for voters, by written protest or otherwise, to force a referendum upon the issue of whether or not a created public service district should be continued or abolished. 52 Op. Att'y Gen. 33 (1966).

**"Shall apply with like effect," etc.** — Because a protest against creation triggers a

referendum, the language "shall apply with like effect as if a district were being created" can mean only that a protest against enlargement or reduction likewise triggers a referendum. Op. Att'y Gen., Nov. 13, 1975.

Applied in *Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n*, 204 W. Va. 279, 512 S.E.2d 201 (1998).

Cited in *State v. Neary*, 179 W. Va. 115, 365 S.E.2d 395 (1987).

### § 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is

entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two [§ 16-13A-2] of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office. Provided, That any member or members of the board may be removed from their respective office as provided in section three-a [§ 16-13A-3a] of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly. (1953, c. 147; 1965, c. 134; 1971, c. 72; 1981, c. 124; 1983, c. 166; 1986, c. 81; 1994, c. 61; 1997, c. 159.)

**Textbooks.** — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

**W. Va. Law Review.** — Fisher, "The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ?," 98 W. Va. L. Rev. 449 (1996).

**Authority of districts.** — Public service

districts are agents of the county commission by which they were created, having no authority other than that expressly set out in this article. Op. Att'y Gen., July 8, 1976.

**Compensation for additional duties.** — Board members of a public service district could not be compensated for performing the duties of treasurer and/or secretary, or for reading

meters for the public service district. Op. Att'y Gen., July 14, 1988, No. 2.

**Exemptions.** — Public service districts of West Virginia are political subdivisions of the State, and as such, they are specifically, by express statute, exempted from the duty of paying registration fees (provided by § 17A-10-8), the privilege tax (imposed by § 17A-3-4), and the certificate of title charge (required by § 17A-3-4). 49 Op. Att'y Gen. 131 (1961).

**Furnishing water to another state.** — A public service district may furnish water wholesale in bulk quantities to a municipal corporation in another state. 51 Op. Att'y Gen. 739 (1966).

**Applied in** *McCloud v. Salt Rock Water Pub. Serv. Dist.*, 207 W. Va. 453, 533 S.E.2d 679 (2000).

**Cited in** *State v. Neary*, 179 W. Va. 115, 365 S.E.2d 395 (1987).

### § 16-13A-3a. Removal of members of public service board.

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal. (1963, c. 75; 1971, c. 72; 1981, c. 124; 1986, c. 81.)

**Textbooks.** — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

**Quoted in** *State v. Neary*, 179 W. Va. 115, 365 S.E.2d 395 (1987).

### § 16-13A-4. Board chairman; members' compensation; procedure; district name.

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per

attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the public service commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings

may be called. Public notice of meetings shall be given in accordance with section three [§ 6-9A-3], article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful misconduct in the performance of their duties. At any time prior to the issuance of bonds as hereinafter provided, the board may by resolution change the official or corporate name of the public service district and the change is effective from the filing of an authenticated copy of such resolution with the clerk of the county commission of each county in which the territory embraced within such district or any part thereof is located and with the public service commission. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located. (1953, c. 147; 1981, c. 124; 1986, c. 81; 1997, c. 159; 2000, c. 199.)

**Effect of amendment of 2000.** — Acts 2000, c. 199, effective June 9, 2000, rewrote the section.

**Compensation for performing additional duties.** — Board members of a public

service district could not be compensated for performing the duties of treasurer and/or secretary, or for reading meters for the public service district. Op. Att'y Gen., July 14, 1988, No. 2.

### § 16-13A-5. General manager of board.

The board may employ a general manager to serve a term of not more than five years and until his successor is employed, and his compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he shall perform and exercise such other powers and duties as may be conferred upon him by the board.

Such general manager shall be chosen without regard to his political affiliations and upon the sole basis of his administrative and technical qualifications to manage public service properties and affairs of the district and he may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water or sewer service from a municipal water or sewer system or another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water or sewer system or public service district from which such water or sewer service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service. (1953, c. 147; 1981, c. 124; 1986, c. 81.)

**§ 16-13A-6. Employees of board.**

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of employment and compensation and prescribe the duties to be performed by such employees. (1953, c. 147; 1981, c. 124.)

**§ 16-13A-7. Acquisition and operation of district properties.**

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three [ §§ 59-3-1 et seq. ], chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two [ § 16-13A-2 ] of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years. (1953, c. 147; 1967, c. 105; 1981, c. 124; 1982, c. 24; 1986, c. 81; 1997, c. 159.)

**§ 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.**

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits

of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities or gas facilities for water, sewer or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof. (1953, c. 147; 1980, c. 60; 1981, c. 124.)

**Eminent domain.** — The grant of power of eminent domain to public service districts by this section is valid. *State ex rel. McMillion v. Stahl*, 141 W. Va. 233, 89 S.E.2d 693 (1955).

If a facility creates a nuisance this harm is simply an element of just compensation in an eminent domain proceeding. *Sexton v. Public Serv. Comm'n*, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Public service commission, in the absence of specific statutory authority, is not empowered to determine whether particular property interests acquired or to be acquired by a utility are compensable in an eminent domain action, or to render any type of monetary judgment for such property interests. Affixing the value of the property taken is the function of the trier of fact in an eminent domain proceeding. *Sexton v. Public Serv. Comm'n*, 188 W. Va. 305, 423 S.E.2d 914 (1992).

**Superior right of municipality to extend**

**public services.** — If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right under this section to extend public services, such as water and/or sewer service, which were not being previously furnished to the tract by the public service district. *Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n*, 204 W. Va. 279, 512 S.E.2d 201 (1998).

**When consent of municipality needed.** — Where municipality has superior right to extend social services, a public service district would need the consent of the municipality and the public service commission in order to provide such services. *Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n*, 204 W. Va. 279, 512 S.E.2d 201 (1998).

Cited in 45 Op. Atty Gen. 506 (1953).

### § 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.

The board may make, enact and enforce all needful rules and regulations in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district, and the board shall establish rates and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of such public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds hereunder. The schedule of such rates and charges may be based upon either (a) the consumption of water or gas on premises connected with such facilities, taking into consideration domestic, commercial, industrial and public use of water and gas; or (b) the number and kind of fixtures connected with such facilities located on the various premises; or (c) the number of persons served by such facilities; or (d) any combination thereof; or (e) may be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. Where water, sewer and gas services are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate thereof. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. All new applicants for service shall

deposit a minimum of fifty dollars with the district to secure the payment of service rates and charges in the event they become delinquent as provided in this section. In any case where a deposit is forfeited to pay service rates and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another minimum deposit of fifty dollars has been remitted to the district. Whenever any rates, rentals or charges for services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the property and the owner thereof, as well as the user of the services and facilities provided are delinquent and the owner, user and property are liable at law until such time as all such rates and charges are fully paid: Provided, That the property owner shall be given notice of any said delinquency by certified mail, return receipt requested. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both: Provided, however, That upon written request of the owner or owners of the premises, the board shall shut off and discontinue water and gas services where any rates, rentals, or charges for services or facilities remain unpaid by the user of the premises for a period of sixty days after the same became due and payable.

In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities, either water or sewer, as the case may be, then the district and such publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: Provided, That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: Provided, however, That any termination of water service must comply with all rules and orders of the public service commission.

Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the bureau of public health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any such sewer facilities, where sewage will flow by gravity or be

transported by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine [§ 16-1-9], article one, chapter sixteen of this code, from such houses, dwellings or buildings into such sewer facilities, to connect with and use such sewer facilities, and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such houses, dwellings and buildings where there is such gravity flow or transportation by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, and such houses, dwellings and buildings can be adequately served by the sewer facilities of the district, and it is hereby found, determined and declared that the mandatory use of such sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of such districts and of the state: Provided, That if the public service district determines that the property owner must connect with the sewer facilities even when sewage from such dwellings may not flow to the main line by gravity and the property owner must incur costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for such changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump, or any other method approved by the bureau of public health; maintenance and operation costs for such extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of such petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near such sewer facility, and the engineer for the district has certified that such sewer facilities are available to and are adequate to serve such owner, tenant or occupant, and sewage will flow by gravity or be transported by such other methods approved by the bureau of public health from such house, dwelling or building into such sewer facilities, the district may charge, and such owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner.

All delinquent fees, rates and charges of the district for either water facilities, sewer facilities or gas facilities are liens on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the

normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts.

Anything in this section to the contrary notwithstanding, any establishment, as defined in section three [§ 22-11-3], article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven [§ 22-11-11], article eleven, chapter twenty-two of this code, is exempt from the provisions of this section. (1953, c. 147; 1965, c. 134; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1989, c. 174; 1994, c. 61.)

**W. Va. Law Review.** — Fisher, "The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ?" 98 W. Va. L. Rev. 449 (1996).

**Abandonment of private systems.** — Where a public service district requires a property owner, tenant, or occupant to connect onto its sewer system and to abandon a private sewer system located on the property, such person cannot recover from the public service district the value of the private system on the ground that such abandonment constitutes a taking of private property without just compensation within the meaning of W. Va. Const., art. III, § 9. *Kingmill Valley Pub. Serv. Dist. v. Riverview Estates Mobile Home Park*, 182 W. Va. 116, 386 S.E.2d 483 (1989).

**Buffer-zone requirements.** — Public Service Commission did not err in finding that the proposed sewage lagoons site satisfied the buffer-zone requirements. *Sexton v. Public Serv. Comm'n*, 188 W. Va. 305, 423 S.E.2d 914 (1992).

**Duty to pay.** — Owners, tenants, or occupants have a duty under this section to pay rates and charges for the district sewer facilities from and after the date of receipt of notice (now 30 days after receipt) that such facilities are available. *Rhodes v. Malden Pub. Serv. Dist.*

171 W. Va. 645, 301 S.E.2d 601 (1983) (construing this section prior to 1980 and 1981 amendments).

**Liens.** — The provision that delinquent fixed rates and charges for services rendered by a public service district shall be a lien on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes, does not deprive the owners of their property without due process of law. *State ex rel. McMillion v. Stahl*, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Public service district liens created and enforceable under this section are subject to the recordation requirements of § 38-10C-1 so that such liens must be docketed to be enforceable against a purchaser of the property for valuable consideration, without notice. *McClung Invs., Inc. v. Green Valley Community Pub. Serv. Dist.*, 199 W. Va. 490, 485 S.E.2d 434 (1997).

**Sewer connection requirements.** — The boards of public service districts have no authority to require potential users who live outside the boundaries of the districts, but within the 10-mile limit, to hook onto the district's sewer facilities. *Op. Att'y Gen.*, July 8, 1976.

**Quoted in** *State ex rel. Water Dev. Auth. v. Northern Wayne County Pub. Serv. Dist.*, 195 W. Va. 135, 464 S.E.2d 777 (1995).

### § 16-13A-9a. Limitations with respect to foreclosure.

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen [§§ 16-13A-9 or 16-13A-19] of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought. (1982, c. 74.)

**§ 16-13A-10. Budget.**

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board, and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board. (1953, c. 147; 1981, c. 124.)

*Textbooks.* — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

**§ 16-13A-11. Accounts; audit.**

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine [ §§ 6-9-1 et seq. ], chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both. (1953, c. 147; 1981, c. 124; 1986, c. 81.)

**Textbooks.** — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

### § 16-13A-12. Disbursement of district funds.

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board. (1953, c. 147; 1981, c. 124.)

### § 16-13A-13. Revenue bonds.

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolu-

tion or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized. (1953, c. 147; 1970, cc. 11, 12; 1970, 1st Ex. Sess., c. 2; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 1989, c. 174.)

**Cross references.** — Procedure for borrowing and issuing bonds, § 16-13A-25.

#### **§ 16-13A-14. Items included in cost of properties.**

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof. (1953, c. 147.)

#### **§ 16-13A-15. Bonds may be secured by trust indenture.**

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the State of West Virginia, but no such trust indenture shall convey, mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or

nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee. (1953, c. 147.)

**§ 16-13A-16. Sinking fund for revenue bonds.**

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions. (1953, c. 147.)

**§ 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.**

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall

direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided. (1953, c. 147.)

**Rules of Civil Procedure.** — As to abolition of the procedural distinctions between law and equity, see Rule 2.

As to receivers, see Rule 66.

As to application of rules to writ of mandamus, see Rule 81(a)(5).

As to effect of rules on jurisdiction and venue, see Rule 82.

**Mandamus.** — Mandamus is a proper remedy to be pursued by the holder of a municipal revenue bond to require a municipal corporation to comply with rate covenants in its rev-

enue bonds. *State ex rel. Allstate Ins. Co. v. Union Pub. Serv. Dist.*, 151 W. Va. 207, 151 S.E.2d 102 (1966).

Under this section, any holder of the bonds of the Union public service district shall have the right by mandamus to enforce and compel the performance of all the duties required by statute or undertaken by the district in connection with the issuance of bonds by such district. *State ex rel. Allstate Ins. Co. v. Union Pub. Serv. Dist.*, 151 W. Va. 207, 151 S.E.2d 102 (1966).

### § 16-13A-18. Operating contracts.

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid. (1953, c. 147.)

### § 16-13A-18a. Sale, lease or rental of water, sewer or gas system by district; distribution of proceeds.

In any case where a public service district owns a water, sewer or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer or gas system to any municipality or privately-owned water, sewer or gas system, or to any water, sewer or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three [§§ 59-3-1 et seq.], chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commis-

sions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer or gas system is located to be placed in the general funds of such county commission. (1963, c. 75; 1981, c. 124; 1986, c. 81; 1997, c. 160.)

### § 16-13A-19. Statutory mortgage lien created; foreclosure thereof.

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property. (1953, c. 147.)

**Rules of Civil Procedure.** — As to abolition of the procedural distinctions between law and equity, see Rule 2.

holders a statutory mortgage lien is valid. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

**In general.** — The provision granting bond-

### § 16-13A-20. Refunding revenue bonds.

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded. (1953, c. 147.)

**In general.** — The only purpose for refunding bonds is the retirement or refinancing of outstanding bond issues of a particular district. Op. Att'y Gen., July 8, 1976.

**Combination of bond issues.** — Combination of two outstanding bond issues into one refunding bond issue may well be restricted by

the use of the singular language in this section. Op. Att'y Gen., July 8, 1976.

**Previous issuance of bonds.** — This section is clearly written in language which speaks only of refunding bonds issued by any district which has previously issued bonds. Op. Att'y Gen., July 8, 1976.

**§ 16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.**

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent. (1953, c. 147; 1986, c. 81; 1994, c. 61.)

**Constitutionality.** — The tax exemption granted to the property, income, and bonds of the district does not violate W. Va. Const., art. X, § 1. State ex rel. McMillion v. Stahl, 141 W.

Va. 233, 89 S.E.2d 693 (1955).

Applied in Rhodes v. Malden Pub. Serv. Dist, 171 W. Va. 645, 301 S.E.2d 601 (1983).

**§ 16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.**

All acts and proceedings taken by any county court [county commission] of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city,

incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members, and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article. (1958, c. 14; 1960, c. 19.)

**Editor's notes.** — For construction of the county court as the county commission, see W.Va. Const. art. IX, § 9.

Concerning the reference to "the date this section takes effect", Acts 1958, c. 14, which

enacted this section and included this language, became effective February 1, 1958. Acts 1960, c. 19, which amended this section, provided that the act take effect January 29, 1960.

### § 16-13A-23. Validation of acts and proceedings of public service boards.

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect, by any county court [county commission] of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act. (1958, c. 14; 1960, c. 19; 1965, c. 134.)

**Editor's notes.** — For construction of the county court as the county commission, see W.Va. Const. art. IX, § 9.

Concerning the reference to "the date this

section takes effect", Acts 1965, c. 134, which amended this section, provided that the act take effect March 13, 1965.

### § 16-13A-24. Acceptance of loans, grants or temporary advances.

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this

article, the revenues of the said water system, sewage system or gas facilities or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument. (1958, c. 14; 1980, c. 60; 1981, c. 124; 1986, c. 118.)

**Permissible borrowing.** — The borrowing note, is permissible borrowing under this section. Op. Att'y Gen., May 6, 1988, No. 27.  
by public service districts of money from counties and/or municipalities, as evidenced by a

### § 16-13A-25. Borrowing and bond issuance; procedure.

Notwithstanding any other provisions of this article to the contrary, a public service district shall not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four [§ 16-13A-13, § 16-13A-20 or § 16-13A-24] of this article, without the prior consent and approval of the public service commission. The public service commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, evidence of compliance with chapter five-g [§§ 5G-1-1 et seq.] of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to: (1) Experience with the same engineering firm in the past two years requiring engineering services; or (2) completion of a construction project within the past two years requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver. Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the public service commission in accordance with the provisions of chapter twenty-four [§§ 24-1-1 et seq.] of this code, when a public service district is seeking to acquire or construct public service property.

Thirty days prior to making formal application for the certificate, the public service district shall prefile with the public service commission its plans and supporting information for the project and shall publish a Class II legal advertisement in a newspaper or newspapers of general circulation in each city, incorporated town or municipal corporation if available in the public service district, which legal advertisement shall state:

(a) The amount of money to be borrowed, or the amount of revenue bonds to be issued: Provided, That if the amount is an estimate, the notice may be stated in terms of an amount "not to exceed" a specific amount;

(b) The interest rate and terms of the loan or bonds: Provided, That if the interest rate is an estimate, the notice may be stated in terms of a rate "not to exceed" a specific rate;

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

(d) The anticipated rates which will be charged by the public service district: Provided, That if the rates are an estimate, the notice may be stated in terms of rates "not to exceed" a specific rate; and

(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the public service commission. The public service commission may grant its consent and approval for the certificate, or any other request for approval under this section, subject to such terms and conditions as may be necessary for the protection of the public interest, pursuant to the provisions of chapter twenty-four of this code, or may withhold such consent and approval for the protection of the public interest.

In the event of disapproval, the reasons for the disapproval shall be assigned in writing by the commission. (1969, 1st Ex. Sess., c. 6; 1981, c. 124; 1986, c. 81; 1996, c. 213; 1997, c. 159.)

**Cross references.** — Class II legal advertisement defined, § 59-3-2.

**Certificate.** — Under this section, a public service district must first obtain a certificate of public convenience and necessity before it can acquire or construct public service property. *Sexton v. Public Serv. Comm'n*, 188 W. Va. 305, 423 S.E.2d 914 (1992).

**Eminent domain.** — Although construction

of a new facility proposed by a utility will often require the taking of private property through eminent domain, in the absence of express statutory language, the public service commission has no duty to review and decide issues that are inherent in the eminent domain proceeding. *Sexton v. Public Serv. Comm'n*, 188 W. Va. 305, 423 S.E.2d 914 (1992).

## ARTICLE 13B.

### COMMUNITY IMPROVEMENT ACT.

Sec.	Sec.
16-13B-1. Short title.	ers; ordinance or order authorizing creation of assessment district and construction of project.
16-13B-2. Definitions.	
16-13B-3. Power and authority of counties and municipalities relating to flood relief, wastewater and water projects.	16-13B-8. Assessment district to be a public corporation and political subdivision; powers thereof; community improvement boards.
16-13B-4. Determination of need and feasibility of creating an assessment district.	16-13B-9. Provisions for construction of a project.
16-13B-5. Notice to property owners before creation of assessment district and construction of project; form of notice; affidavit of publication.	16-13B-10. Notice to property owners of assessments; hearings, correcting and laying assessments; report on project completion; permits.
16-13B-6. Petition of property owners for creation of assessment district.	16-13B-11. Construction of projects; assessments; corner lots, etc.
16-13B-7. Receipt of petition of property own-	16-13B-12. Apportionment and assessment of cost.

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ARTICLE 9A.

TOBACCO USAGE RESTRICTIONS.

16-9A-4. Use of tobacco or tobacco products in certain areas of certain public schools prohibited; penalty.

Code of State Rules References. — Tobacco control (2422.5a), 126 CSR66, effective May 13, 1998.

16-9A-8. Selling of tobacco products in vending machines prohibited except in certain places.

Code of State Rules References. — Prohibiting sale of tobacco products in vending machines, 175 CSR9, effective June 1, 2001.

ARTICLE 13A.

PUBLIC SERVICE DISTRICTS FOR WATER, SEWERAGE AND GAS SERVICES.

- |   |  |
|---|--|
| <p>Sec.</p> <p>16-13A-1c. General purpose of districts.</p> <p>16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.</p> <p>16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.</p> <p>16-13A-5. General manager of board.</p> <p>16-13A-7. Acquisition and operation of district properties.</p> | <p>Sec.</p> <p>16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.</p> <p>16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.</p> <p>16-13A-14. Items included in cost of properties.</p> <p>16-13A-18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.</p> <p>16-13A-24. Acceptance of loans, grants or temporary advances.</p> |
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16-13A-1. Legislative findings.

Code of State Rules References. — Government of public service districts, 150 CSR17, effective September 1, 1990.

16-13A-1c. General purpose of districts.

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of,

properties supplying water, sewerage or stormwater services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with: (1) The diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (herein sometimes referred to as "water facilities"); (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills"); (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"); or (4) the collection, control or disposal of stormwater (herein sometimes referred to as "stormwater system" or "stormwater systems"), or (5) the management, operation, maintenance and control of stormwater and stormwater systems (herein sometimes referred to as "stormwater management program" or "stormwater management programs"). As used in this article "stormwater system" or "stormwater systems" means a stormwater system in its entirety or any integral part thereof used to collect, control or dispose of stormwater, and includes all facilities, structures and natural water courses used for collecting and conducting stormwater to, through and from drainage areas to the points of final outlet including, but not limited to, any and all of the following: Inlets, conduits, outlets, channels, ponds, drainage easements, water quality facilities, catch basins, ditches, streams, gulches, flumes, culverts, siphons, retention or detention basins, dams, floodwalls, pipes, flood control systems, levies and pumping stations: Provided, That the term "stormwater system" or "stormwater systems" does not include highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. As used in this article "stormwater management program" or "stormwater management programs" means those activities associated with the management, operation, maintenance and control of stormwater and stormwater systems, and includes, but is not limited to, public education, stormwater and surface runoff water quality improvement, mapping, planning, flood control, inspection, enforcement and any other activities required by state and federal law: Provided, however, That the term "stormwater management program" or "stormwater management programs" does not include those activities associated with the management, operation, maintenance and control of highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways. (1986, c. 81; 2002, c. 272.)

**Effect of amendment of 2002.** — Acts 2002, c. 272, effective June 7, 2002, inserted "or stormwater" following sewerage" in the first

sentence; added subdivisions (4) and (5); added the last two sentences; and made minor stylistic changes.

**§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.**

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) On its own motion by order duly adopted, (2) upon the recommendation of the public service commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: Provided, That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the public service commission, which approval and consent shall be in accordance with rules promulgated by the public service commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: Provided, however, That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services, stormwater services or gas facilities not being furnished within such territory or part thereof: Provided further, That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three [§§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or

consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the public service commission for such purpose: Provided, That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the public service commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: Provided, however, That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the public service commission. The public service commission shall provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The public service commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the public service commission pursuant to this section and section one-b [§ 16-13A-1b], of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: Provided, That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive, all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the public service commission shall apply. The commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: Provided, however, That where two or more public service districts are consolidated

pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the secretary of state and the public service commission by the first day of July of each year. (1953, c. 147; 1965, c. 134; 1967, c. 105; 1975, c. 140; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1995, c. 125; 2002, c. 272.)

Effect of amendment of 2002. — Acts (1), and inserted "stormwater services" near the 2002, c. 272, effective June 7, 2002, in (a), middle of the last sentence. capitalized "On" at the beginning of subdivision

### **§ 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.**

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, or for furnishing stormwater services for the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district. Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor

shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two [§ 16-13A-2] of this

article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a [§ 16-13A-3a] of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly. (1953, c. 147; 1965, c. 134; 1971, c. 72; 1981, c. 124; 1983, c. 166; 1986, c. 81; 1994, c. 61; 1997, c. 159; 2002, c. 272.)

Effect of amendment of 2002. — Acts town or other municipal corporation" in the 2002, c. 272, effective June 7, 2002, inserted "or second sentence of the first paragraph. for furnishing stormwater services for the city,

### § 16-13A-5. General manager of board.

The board may employ a general manager to serve a term of not more than five years and until his or her successor is employed, and his or her compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his or her time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he or she shall perform and exercise such other powers and duties as may be conferred upon him or her by the board.

Such general manager shall be chosen without regard to his or her political affiliations and upon the sole basis of his or her administrative and technical qualifications to manage public service properties and affairs of the district and he or she may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he or she is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water, sewer or stormwater service from a municipal water, sewer or stormwater system or another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water, sewer or stormwater system or public service district from which such water, sewer or stormwater service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service. (1953, c. 147; 1981, c. 124; 1986, c. 81; 2002, c. 272.)

Effect of amendment of 2002. — Acts third paragraph, and made minor stylistic 2002, c. 272, effective June 7, 2002, inserted "or changes. stormwater" following "sewer" four times in the

### § 16-13A-7. Acquisition and operation of district properties.

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same, including, but not limited to, those activities necessary to comply with all federal and state requirements, including water quality improvement activities. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three [ §§ 59-3-1 et seq. ], chapter fifty-nine of this code, and the publication area for such publication shall be as

specified in section two [§ 16-13A-2] of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years. (1953, c. 147; 1967, c. 105; 1981, c. 124; 1982, c. 24; 1986, c. 81; 1997, c. 159; 2002, c. 272.)

Effect of amendment of 2002. — Acts 2002, c. 272, effective June 7, 2002, added "including, but not limited to, those activities

necessary to comply with all federal and state requirements, including water quality improvement activities" to the end of the first sentence.

### **§ 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.**

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities, stormwater facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or

other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities, a stormwater system, stormwater management program or gas facilities for water, sewer, stormwater or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That the power of eminent domain provided in this section does not extend to highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways: Provided, however, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof. (1953, c. 147; 1980, c. 60; 1981, c. 124; 2002, c. 272.)

**Effect of amendment of 2002.** — Acts 2002, c. 272, effective June 7, 2002, in the second paragraph, inserted "stormwater facilities" following "sewer facilities" in the proviso; in the third paragraph, inserted "a stormwater

system, stormwater management program" following "sewer facilities" and "stormwater" preceding "or gas services"; in the last paragraph, added a new first proviso and redesignated the former first proviso as the second.

**§ 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.**

The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management, mainte-

nance, operation, care, protection and the use of any public service properties owned or controlled by the district, and the board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of such public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds hereunder. The schedule of such rates, fees and charges may be based upon either (a) the consumption of water or gas on premises connected with such facilities, taking into consideration domestic, commercial, industrial and public use of water and gas; or (b) the number and kind of fixtures connected with such facilities located on the various premises; or (c) the number of persons served by such facilities; or (d) any combination thereof; or (e) may be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate thereof. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. All new applicants for service shall deposit a minimum of fifty dollars with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another minimum deposit of fifty dollars has been remitted to the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the property and the owner thereof, as well as the user of the services and facilities provided are delinquent and the owner, user and property are liable at law until such time as all such rates, fees and charges are fully paid: Provided, That the property owner shall be given notice of any said delinquency by certified mail, return receipt requested. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both: Provided, however, That upon written request of the owner or owners of the premises, the board shall shut off and discontinue water and gas services where any rates, fees, rentals, or charges for services or facilities remain unpaid by the user of the premises for a period of sixty days after the same became due and payable.

In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities, either water or sewer, as the case may be, then the district and such publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: Provided, That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: Provided, however, That any termination of water service must comply with all rules and orders of the public service commission.

Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the bureau of public health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any such sewer facilities, where sewage will flow by gravity or be transported by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine [§ 16-1-9], article one, chapter sixteen of this code, from such houses, dwellings or buildings into such sewer facilities, to connect with and use such sewer facilities, and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such houses, dwellings and buildings where there is such gravity flow or transportation by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, and such houses, dwellings and buildings can be adequately served by the sewer facilities of the district, and it is hereby found, determined and declared that the mandatory use of such sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of such districts and of the state: Provided, That if the public service district determines that the property owner must connect with the sewer facilities even when sewage from such dwellings may not flow to the main line by gravity and the property owner must incur costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all

reasonable costs for such changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump, or any other method approved by the bureau of public health; maintenance and operation costs for such extra installation should be reflected in the user charge for approval of the public service commission. The circuit court shall adjudicate the merits of such petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near such sewer facility, and the engineer for the district has certified that such sewer facilities are available to and are adequate to serve such owner, tenant or occupant, and sewage will flow by gravity or be transported by such other methods approved by the bureau of public health from such house, dwelling or building into such sewer facilities, the district may charge, and such owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner.

Whenever any district has made available a stormwater system to any owner, tenant or occupant of any real property located near such stormwater system, and where stormwater from such real property affects or drains into such stormwater system, it is hereby found, determined and declared that such owner, tenant or occupant is being served by such stormwater system, and it is further hereby found, determined and declared that the mandatory use of such stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of such district and of the state. The district may charge, and such owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner.

All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, stormwater systems or stormwater management systems or gas facilities are liens on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts.

Anything in this section to the contrary notwithstanding, any establishment, as defined in section three [§ 22-11-3], article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by

section eleven [§ 22-11-11], article eleven, chapter twenty-two of this code, is exempt from the provisions of this section. (1953, c. 147; 1965, c. 134; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1989, c. 174; 1994, c. 61; 2002, c. 272.)

**Code of State Rules References.** — Rules and regulations for the government of gas utilities and gas pipeline safety, 150 CSR 4, effective July 21, 1996.

Rules and regulations for the government of sewer utilities, 150 CSR 5, effective January 2, 1996.

Rules and regulations for the government of telephone utilities, 150 CSR 6, effective October 10, 2000.

Rules and regulations for the government of water utilities, 150 CSR 7, effective February 5, 1996.

Effect of amendment of 2002. — Acts

2002, c. 272, effective June 7, 2002, inserted "fees" following "rates" throughout the section; in the first paragraph, deleted "and regulations" following "needful rules" in the first sentence, inserted a new third sentence, substituted "Where water, sewer, stormwater or gas services, or any combination thereof" for "Where water, sewer and gas services" in the present fourth sentence; inserted the fifth paragraph; in the present sixth paragraph, inserted "stormwater systems or stormwater management systems" following "sewer facilities" and "stormwater" preceding "or gas bills" in the first sentence.

#### § 16-13A-14. Items included in cost of properties.

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; for stormwater systems and associated stormwater management programs, those activities which include, but are not limited to, water quality improvement activities necessary to comply with all federal and state requirements; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof. (1953, c. 147; 2002, c. 272.)

Effect of amendment of 2002. — Acts "for stormwater systems ... federal and state requirements" following the first phrase.

#### § 16-13A-18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.

In any case where a public service district owns a water, sewer, stormwater or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer, stormwater or gas system to any

municipality or privately-owned water, sewer, stormwater or gas system, or to any water, sewer, stormwater or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer stormwater or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three [ §§ 59-3-1 et seq. ], chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer, stormwater or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer, stormwater or gas system is located to be placed in the general funds of such county commission. (1963, c. 75; 1981, c. 124; 1986, c. 81; 1997, c. 160; 2002, c. 272.)

Effect of amendment of 2002. — Acts "stormwater" following "sewer" in the section 2002, c. 272, effective June 7, 2002, inserted heading and throughout the section.

#### § 16-13A-24. Acceptance of loans, grants or temporary advances.

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems, stormwater systems or stormwater management systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this article, the revenues of the said water system, sewage system, stormwater system or associated stormwater management system or gas facilities, or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or

from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument. (1958, c. 14; 1980, c. 60; 1981, c. 124; 1986, c. 118; 2002, c. 272.)

**Effect of amendment of 2002.** — Acts 2002, c. 272, effective June 7, 2002, inserted “stormwater systems or stormwater management systems” and “stormwater system or associated stormwater management system”.

### ARTICLE 13C.

#### DRINKING WATER TREATMENT REVOLVING FUND ACT.

##### § 16-13C-2. Designation of division of health as state instrumentality; rules; small systems; disadvantaged communities.

**Code of State Rules References.** — Drinking water treatment revolving fund, 64 CSR49, effective June 1, 1998. Public water systems capacity development, 64 CSR61, effective May 14, 1999.

### ARTICLE 19.

#### ANATOMICAL GIFT ACT.

**Sec. 16-19-2.** Making, amending, revoking, and refusing to make anatomical gifts by individual.

##### § 16-19-2. Making, amending, revoking, and refusing to make anatomical gifts by individual.

- (a) An individual who is at least eighteen years of age may:
- (1) Make an anatomical gift for any of the purposes stated in subsection (a), ~~section six~~ [16-19-6] of this article;
  - (2) Limit an anatomical gift to one or more of those purposes; or
  - (3) Refuse to make an anatomical gift.
- (b) An anatomical gift may be made only by a document of gift signed by the donor. If the donor is unable to sign a document of gift and intends to make an anatomical gift, the document of gift must be signed by another individual and by two witnesses, all of whom have signed at the direction and in the presence of the donor and of each other, and state that it has been so signed.



Armstrong PSD  
 Refunding Revenue Bonds  
 USDA Project, Series 2002A

Closing Date: December 23, 2002  
 DTC FAST CLOSING

SOURCES:			
Par Amount of Bonds		\$785,000.00	
Original Issue Discount		(11,939.20)	
Accrued Interest from 12/12/02 to 12/23/2002		2,421.22	
Transfers from prior issue DSR funds		<u>72,914.94</u>	
<b>TOTAL SOURCES OF FUNDS</b>			<b><u>848,396.96</u></b>
USES:			
Deposit to USDA		716,441.41	
Debt Service Reserve Fund		62,940.00	
Underwriters Discount		25,000.00	
<b>Costs of Issuance:</b>			
Bond Counsel - Steptoe & Johnson	20,000.00		
Underwriter's Counsel - Goodwin & Goodwin	15,000.00		
Issuer's Counsel/PSC Counsel - Pollard	2,000.00		
Accounting Services	500.00		
Printing/Shipping*	1,000.00		
Registrar*	1,000.00		
Miscellaneous	500.00		
Crews Underwriting-Expenses			
PSA	NA		
MSRB	NA		
DTC	NA		
CUSIP	NA		
*estimates			
<b>Total Costs of Issuance</b>	40,000.00	40,000.00	
Deposit to Bond Fund (Debt Service)		2,421.22	
Rounding		<u>1,594.33</u>	
<b>TOTAL USES OF FUNDS</b>			<b><u>848,396.96</u></b>
			0.00

CONTACTS:	
<b>United Bank</b>	
Kathy Smith 304-348-8427	
<b>City National Bank</b>	
Judy Shawkey 304-442-6019	
<b>Steptoe &amp; Johnson</b>	
John Stump 304-353-8196	
<b>Municipal Bond Commission</b>	
Witter Hallan 304-558-3971	
<b>DTC</b>	
212-855-3753 Tel	
212-855-3704 Tel	
<b>Crews and Associates BD# 5158</b>	
Nnamdi Thompson 1-800-766-2000	
Barry Cunningham 304-344-1733	
<b>CUSIPS</b>	

4/1/08	\$125,000	4.00%	042459AA5
4/1/13	\$140,000	4.70%	042459AB3
4/1/18	\$180,000	5.10%	042459AC1
4/1/22	\$180,000	5.50%	042459AD9
4/1/25	\$180,000	5.80%	042459AE7

WIRE INSTRUCTIONS:

<b>From: Crews &amp; Associates, Inc.</b>	⇒	<b>To: City National Bank- COI Fund</b>
Costs of Issuance	40,000.00	Bank: City National Bank
Deposit to Bond Fund (Rounding Amount)	<u>1,594.33</u>	City: Montgomery
		ABA#: 051904524
Total Wire	41,594.33	Acct. Name: Armstrong PSD 2002A COI Fund
		Account No.: 8002048372
		F/B/O:
<b>From: Crews &amp; Associates, Inc.</b>	⇒	<b>To: Municipal Bond Commission</b>
Deposit to Series 2002 A Reserve Fund	62,940.00	Bank: BB&T
Deposit to Bond Fund (Accrued Interest)	2,421.22	City: State of West Virginia
		ABA#: 051503394
Total Wire	65,361.22	Acct. Name: Armstrong PSD Series 2002A
		Account No.: 5270517317
		F/B/O:
<b>From: Crews &amp; Associates, Inc.</b>	⇒	<b>To: USDA through Fedwire Deposit System</b>
Loan Payoff (1985 RJS Loan)	716,441.41	Funds Transfer Wire Message
Less Prior Issue DSR Funds	<u>(72,914.94)</u>	ABA#: 021030004
		Acct. Name: TREAS NYC
Total Wire	643,526.47	BNI Identifier: 12200408
		BNI Name: TREASURY
		OBI#: 57-010-0556005876
		OBI Name: Armstrong Public
		Amount: \$643,526.47
		Reference: Series 1985 Loan (Sewer) Payoff
<b>From: Armstrong DSRF (City National Bank)</b>	⇒	<b>To: USDA through Fedwire Deposit System</b>
Transfer of prior issue DSR funds	72,914.94	Funds Transfer Wire Message
	<u>72,914.94</u>	ABA#: 021030004
		Acct. Name: TREAS NYC
		BNI Identifier: 12200408
		BNI Name: TREASURY
		OBI#: 57-010-0556005876
		OBI Name: Armstrong Public
		Amount: \$72,914.94
		Reference: Series 1985 Loan (Sewer) Payoff