

\$3,970,000
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(WEST VIRGINIA)
SEWER REVENUE BONDS, SERIES 2007 A
(BANK QUALIFIED)

Date of Closing: March 6, 2007

BOND TRANSCRIPT

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02.26.07
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**BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(WEST VIRGINIA)
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)**

BOND RESOLUTION

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BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)

A RESOLUTION AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED), OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$3,970,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED TO FINANCE, IN PART, THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT'S EXISTING SEWERAGE SYSTEM 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 BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT, 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, Berkeley County Public Service Sewer District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Berkeley County of said State;

WHEREAS, the Issuer presently owns and operates a public sewerage collection and treatment system (the "System") in Berkeley County;

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 revenue bonds for the purpose of financing the acquisition and construction of additions and improvements to the System;

WHEREAS, there are outstanding obligations of the Issuer (hereinafter collectively, the "Prior Bonds") which are designated and have the lien positions with respect to the Net Revenues of the sewerage system of the Issuer as follows:

	<u>Designation</u>	<u>Lien Position</u>
1.	Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, issued in the original aggregate principal amount of \$1,638,194 (the "Series 1986 B Bonds")	First Lien
2.	Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, issued in the original aggregate principal amount of \$828,629 (the "Series 1990 A Bonds")	First Lien
3.	Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), dated October 5, 1994, issued in the original aggregate principal amount of \$494,288 (the "Series 1994 A Bonds")	First Lien
4.	Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), dated November 17, 1994, issued in the original aggregate principal amount of \$2,772,879 (the "Series 1994 C Bonds")	First Lien
5.	Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated February 9, 1995, issued in the original aggregate principal amount of \$3,837,640 (the "Series 1995 A Bonds")	First Lien
6.	Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), dated December 29, 1995, issued in the original aggregate principal amount of \$2,138,506 (the "Series 1995 B Bonds")	First Lien
7.	Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), dated February 13, 1996, issued in the original aggregate principal amount of \$319,902 (the "Series 1996 A Bonds")	First Lien
8.	Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$2,628,633 (the "Series 1996 B Bonds")	First Lien

<u>Designation</u>	<u>Lien Position</u>
9. Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$837,579 (the "Series 1996 C Bonds")	First Lien
10. Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program), dated June 12, 1997, issued in the original aggregate principal amount of \$148,000 (the "Series 1997 A Bonds")	First Lien
11. Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated December 11, 1997, issued in the original aggregate principal amount of \$1,250,000 (the "Series 1997 B Bonds")	First Lien
12. Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated October 28, 1999, issued in the original aggregate principal amount of \$30,707,296 (the "Series 1999 A Bonds")	First Lien
13. Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated May 25, 2000, issued in the original aggregate principal amount of \$937,500 (the "Series 2000 A Bonds")	First Lien
14. Sewer Revenue Bonds, Series 2001 A (West Virginia Infrastructure Fund), dated March 30, 2001, issued in the original aggregate principal amount of \$429,000 (the "Series 2001 A Bonds")	First Lien
15. Sewer Revenue Bonds, Series 2001 B (West Virginia SRF Program), dated August 7, 2001, issued in the original aggregate principal amount of \$2,909,850 (the "Series 2001 B Bonds")	First Lien
16. Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program), dated May 9, 2002, issued in the original aggregate principal amount of \$750,000 (the "Series 2002 A Bonds")	First Lien

	<u>Designation</u>	<u>Lien Position</u>
17.	Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), dated July 11, 2002, issued in the original aggregate principal amount of \$456,548 (the "Series 2002 B Bonds")	First Lien
18.	Sewer Revenue Bonds, Series 2002 C (West Virginia SRF Program), dated August 28, 2002, issued in the original aggregate principal amount of \$30,500,000 (the "Series 2002 C Bonds")	First Lien
19.	Sewer Revenue Bonds, Series 2002 D (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$4,965,465 (the "Series 2002 D Bonds")	First Lien
20.	Sewer Revenue Bonds, Series 2002 E (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$560,822 (the "Series 2002 E Bonds")	First Lien
21.	Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$252,922 (the "Series 2003 A Bonds")	First Lien
22.	Sewer Revenue Bonds, Series 2003 B (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$330,862 (the "Series 2003 B Bonds")	First Lien
23.	Sewer Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), dated November 30, 2004, issued in the original aggregate principal amount of \$1,999,600 (the "Series 2004 A Bonds")	First Lien
24.	Sewer Refunding Revenue Bonds, Series 2006 A (Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$3,665,000 (the "Series 2006 A Bonds")	First Lien

<u>Designation</u>	<u>Lien Position</u>
25. Sewer Refunding Revenue Bonds, Series 2006 B (Non Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$240,000 (the "Series 2006 B Bonds")	First Lien
26. Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, issued in the original aggregate principal amount of \$38,669 (the "Series 1990 B Bonds")	Second Lien

The Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds are hereinafter collectively called the "First Lien Bonds"; and the Series 1990 B Bonds are hereinafter called the "Second Lien Bonds." The First Lien Bonds and the Second Lien Bonds are hereinafter collectively called the "Prior Bonds."

The Issuer also has outstanding its Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued in the aggregate principal amount of \$15,405,000 (the "CIF Bonds"). The CIF Bonds will be repaid solely from and will be secured solely by the Capacity Improvement Fees of the Issuer and the Surplus Revenues of the System (all as more clearly hereinafter defined and described) and WILL NOT BE PAYABLE FROM OR SECURED BY THE NET REVENUES OF THE SYSTEM.

The Issuer is issuing the Sewer Revenue Bonds, Series 2007 B, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 B Bonds"), Sewer Revenue Bonds, Series 2007 C, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 C Bonds"), Sewer Revenue Bonds, Series 2007 D, dated March 6, 2007, issued in the original aggregate principal amount of \$7,104,000 (the "Series 2007 D Bonds"), Sewer Revenue Bonds, Series 2007 E, dated March 6, 2007, issued in the original aggregate principal amount of \$500,000 (the "Series 2007 E Bonds"), and Sewer Revenue Bonds, Series 2007 F, dated March 6, 2007, issued in the original aggregate principal amount of \$4,999,900 (the "Series 2007 F Bonds") simultaneously herewith. The Series 2007 B Bonds, Series 2007 C Bonds, Series 2007 D Bonds, Series 2007 E Bonds and Series 2007 F Bonds are hereinafter collectively referred to as the "Parity 2007 Bonds". The Parity 2007 Bonds are being issued on a parity with the Series 2007 A Bonds, the First Lien Bonds and senior and prior to the Second Lien Bonds.

The Series 2007 A Bonds shall be issued on a parity with the First Lien Bonds and the Parity 2007 Bonds, and senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer has met the coverage and parity requirements for issuance of parity bonds of the First Lien Bonds and the resolutions authorizing the First Lien Bonds and has substantially complied with all other parity requirements. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Lien Bonds are met, the written consent of the Holders of the First Lien Bonds to the issuance of the Series 2007 A Bonds on a parity with the First Lien Bonds and the written consent of the Holders of the Second Lien Bonds to the issuance of the Series 2007 A Bonds on a senior and prior basis to the Second Lien Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of Berkeley County that its Series 2007 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF BERKELEY COUNTY PUBLIC SERVICE SEWER 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 2007 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, collectively, the Series 2007 A Bonds, the First Lien Bonds, the Parity 2007 Bonds and the Second Lien 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.

"Capacity Improvement Fee" means the capacity improvement fees in the Issuer's tariff, as approved by the Public Service Commission of West Virginia, by Commission Orders entered on August 31, 2004, and March 28, 2005 in Case No.: 04-0153-PSD-T, and as may be modified by the Public Service Commission of West Virginia from time to time, which fees are paid by any developer or non-developer, as defined in the PSC Orders, which seeks sewer service within the service territory of the Issuer and which capacity improvement fees must be used for the purpose of financing upgrades to, or construction of, improvements to the System.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2007 A Bonds in substantially the form set forth in EXHIBIT A - Series 2007 A BOND FORM, attached hereto.

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

"CIF Bonds" means the Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued in the aggregate principal amount of \$15,405,000.

"CIF Resolutions" means, individually or collectively, the resolutions of the Issuer adopted October 17, 2006, authorizing the CIF Bonds.

"CIF Surplus Revenue Fund" means the fund of the Issuer, created in the CIF Resolutions, into which Surplus Revenues may be deposited.

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Bonds for the proceeds representing the original purchase prices thereof.

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

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

"Consulting Engineers" means 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 mean those costs described in Section 1.03 hereof to be a part of the costs of acquisition and construction of the Project.

"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 2007 A Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

"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.

"First Lien Bonds" means, collectively, the Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds.

"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), any Tap Fees, as hereinafter defined, or any Capacity Improvement Fees.

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

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2007 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 2007 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 2007 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2007 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 the Authority, 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, Inc., Charleston, West Virginia, as the purchaser of the Series 2007 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2007 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 2007 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 2007 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 2007 A Bonds.

"Outstanding," when used with reference to the Series 2007 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.

"Parity 2007 Bonds," means, collectively, the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds, the Series 2007 E Bonds and the Series 2007 F Bonds.

"Paying Agent," initially, the West Virginia Municipal Bond Commission and any other paying agent or other entity designated as such for the Series 2007 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds, the Series 2006 B Bonds, and the Series 1990 B Bonds, as herein defined.

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

"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.

"Purchase Price," for the purpose of computation of the Yield of the Series 2007 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 2007 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 2007 A Bonds of each maturity is sold or, if the Series 2007 A Bonds are privately placed, the price paid by the first buyer of the Series 2007 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 2007 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 2007 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 Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the West Virginia Code of 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is 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 2007 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 2007 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.

"Reserve Accounts" means the respective Reserve Accounts established for the Series 2007 A Bonds and the Prior Bonds.

"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.

"RUS Resolution" means the Resolution adopted by the Issuer on February 20, 2007, authorizing the issuance of the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds, the Series 2007 E Bonds, and the Series 2007 F Bonds.

"Second Lien Bonds" means the Series 1990 B Bonds.

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

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (Bank Qualified), of the Issuer, originally authorized to be issued pursuant to this Resolution.

"Series 2007 A Bonds Construction Fund" means the Series 2007 A Bonds Construction Fund created by Section 4.01 hereof.

"Series 2007 A Bonds Redemption Account" means the Series 2007 A Bonds Redemption Account created by Section 4.02 hereof.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 2007 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 2007 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2007 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2007 A Bonds.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund created by Section 4.02 hereof.

"Series 2007 B Bonds" means the Sewer Revenue Bonds, Series 2007 B (United States Department of Agriculture), issued simultaneously herewith.

"Series 2007 C Bonds" means the Sewer Revenue Bonds, Series 2007 C (United States Department of Agriculture), issued simultaneously herewith.

"Series 2007 D Bonds" means the Sewer Revenue Bonds, Series 2007 D (United States Department of Agriculture), issued simultaneously herewith.

"Series 2007 E Bonds" means the Sewer Revenue Bonds, Series 2007 E (United States Department of Agriculture), issued simultaneously herewith.

"Series 2007 F Bonds" means the Sewer Revenue Bonds, Series 2007 F (United States Department of Agriculture), issued simultaneously herewith.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2007 A Bonds and the Prior Bonds.

"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 2007 A Bonds and authorizing the sale of the Series 2007 A Bonds to the Original Purchaser; 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, the Sinking Funds and the Reserve Accounts.

"System" means the complete public sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof, and all sewerage facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the sewerage system, 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 corporation and public service district of the State of West Virginia in Berkeley County of said State.

B. The Issuer presently owns and operates a public sewerage collection and treatment system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements to the System, consisting of the construction, operation and maintenance of the North Berkeley Sewer Project, Phase I, consisting of a 1,000,000 gallon per day Sequencing Batch Reactor wastewater treatment plant and approximately 40 miles of gravity sewer mains and force mains in Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County, and all appurtenant facilities (collectively, the "Project") (the existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2007 A (Bank Qualified), in the total aggregate principal amount of not more than \$3,970,000 to permanently finance a portion of the costs of acquisition and construction of the Project and pay the costs of issuance of the Series 2007 A Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2007 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2007 A Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance,

reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

E. It is in the best interests of the Issuer that the Series 2007 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement or bond purchase agreements to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. The Series 2007 A Bonds shall be issued on a parity with the First Lien Bonds, the Parity 2007 Bonds and senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the First Lien Bonds and the resolutions authorizing the First Lien Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Lien Bonds have been met; and (ii) where necessary, the written consent of the Holders of the First Lien Bonds and the Second Lien Bonds to the issuance of the Series 2007 A Bonds on a parity with the First Lien Bonds and senior and prior to the Second Lien Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolutions.

G. The Series 2007 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the form set forth in EXHIBIT A - SERIES 2007 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.

H. All things necessary to make the Series 2007 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 2007 A Bonds, will be timely done and duly performed.

I. The adoption of this Resolution, and the execution and issuance of the Series 2007 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 2007 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 2007 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

ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of Project.

There is hereby authorized and ordered the acquisition and construction of the Project at an estimated cost of not more than \$3,970,000. The proceeds of the Series 2007 A Bonds hereby authorized shall be applied as provided herein.

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 2007 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 Bonds shall be dated as of the date provided in a Supplemental Resolution. The Series 2007 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 Series 2007 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2007 A Bonds shall be in default, Bonds issued in exchange for Series 2007 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2007 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2007 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 2007 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 2007 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 2007 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 Series 2007 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2007 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 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed have been actually sold and delivered, such Series 2007 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 2007 A Bonds had not ceased to hold such office. Any Series 2007 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 2007

A Bonds shall hold the proper office in the Issuer, although at the date of such Series 2007 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 2007 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 2007 A Bond, substantially in the form set forth in EXHIBIT A - SERIES 2007 A BOND FORM attached hereto and incorporated herein by reference, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2007 A Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Series 2007 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 Series 2007 A Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2007 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 2007 A Bonds, shall be conclusively deemed to have agreed that such Series 2007 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 2007 A Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2007 A Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2007 A Bonds. Series 2007 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 2007 A Bond, there shall be issued at the option of the Holder or the transferee another Series 2007 A Bond 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 Series 2007 A 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 2007 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Series 2007 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 2007 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Series 2007 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2007 A Bonds, the initial exchange of Series 2007 A Bonds and exchanges of Series 2007 A Bonds in the event of partial redemption of fully registered Series 2007 A 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 2007 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 2007 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2007 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 Series 2007 A Bond of like series, maturity and principal amount as the Series 2007 A 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 Series 2007 A Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Series 2007 A 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 2007 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 2007 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 Series 2007 A Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Series 2007 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 Series 2007 A Bonds be at any time found by any one, and such duplicate Series 2007 A 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 2007 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 the Series 2007 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 2007 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 2007 A Bonds Sinking Fund, as will exhaust as nearly as practicable such Series 2007 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 2007 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 Original Purchaser and the registered owner of the Series 2007 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 2007 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 2007 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 2007 A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2007 A Bonds, as appropriate, to be redeemed;

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Series 2007 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 2007 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 Series 2007 A Bonds.

If funds sufficient to redeem all Series 2007 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 2007 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2007 A Bonds or portions of Series 2007 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 2007 A Bonds or portions of Series 2007 A Bonds shall cease to bear interest. Upon surrender of such Series 2007 A Bonds for redemption in accordance with said notice, such Series 2007 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 2007 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 Series 2007 A Bond. All Series 2007 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 2007 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 2007 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 2007 A Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until 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 Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for 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 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 Bond in temporary form.

Section 3.10. Authorization of Bonds. For the purposes of paying a portion of the costs of acquisition and construction of the Project, funding the Series 2007 A Bonds Reserve Account, paying capitalized interest on the Series 2007 A Bonds and paying costs in connection therewith, there shall be issued the Series 2007 A Bonds of the Issuer, in an aggregate principal amount of not more than \$3,970,000. The Series 2007 A shall be designated "Sewer Revenue Bonds, Series 2007 A (Bank Qualified)" 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 2007 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2007 A Bonds shall be numbered from R-1 consecutively upward. The Series 2007 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 2007 A Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2007 A Bonds, respectively, 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 2007 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 2007 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2007 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 2007 A Bond, or any other evidence of ownership of the Series 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2007 A Bonds so redeemed, but DTC may return such Series 2007 A Bonds and make an appropriate notation on the Series 2007 A Bonds 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 2007 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 2007 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 2007 A Bonds, selecting the Series 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2007 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 2007 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 2007 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 2007 A Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the Series 2007 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2007 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

- (1) A list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;
- (2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2007 A Bonds to the Original Purchaser;
- (3) Copies of this Resolution and the Supplemental Resolution certified by the Secretary;
- (4) The unqualified approving opinion upon the Series 2007 A Bonds by Bond Counsel; and
- (5) 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 2007 A Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2007 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 2007 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2007 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 2007 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2007 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2007

A Bonds Sinking Fund and applied to payment of interest on the Series 2007 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2007 A Bonds equal to the Series 2007 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2007 A Bonds Reserve Account, if funded by proceeds of the Series 2007 A Bonds, provided that, to the extent the Series 2007 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2007 A Bonds shall be used to purchase said reserve account letter of credit, surety bond or other credit facility and proceeds of the Series 2007 A Bonds shall be deposited in the Series 2007 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2007 A Bonds Reserve Requirement.

3. An amount of the proceeds of the Series 2007 A Bonds which shall be sufficient to pay the costs of issuance of the Series 2007 A Bonds 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 2007 A Bonds. 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 may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. 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 2007 A Bonds Construction Fund.

4. The balance of proceeds of the Series 2007 A Bonds, not used for any of the purposes set forth above, shall be deposited in the Series 2007 A Bonds Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay a portion of the costs of acquisition and construction of the Project and disbursed as provided in Section 3.15 hereof.

Section 3.15. Disbursements from the Series 2007 A Bonds Construction Fund. Disbursements from the Series 2007 A Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2007 A Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of the Project, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2007 A Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Section 3.16. Designation of Series 2007 A Bonds as "Qualified Tax-Exempt Obligations." The Issuer hereby designates the Series 2007 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2007 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$3,970,000 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 2007 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2007, all as determined in accordance with the Code.

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) Operation and Maintenance Fund (established by the Prior Resolutions);
- (3) Renewal and Replacement Fund (established by the Prior Resolutions);
- (4) CIF Surplus Fund (established by the CIF Resolutions);
- (5) Series 2007 A Bonds Construction Fund;
- (6) Costs of Issuance Fund; and
- (7) 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 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 2007 A Bonds Sinking Fund;
- (2) Within the Series 2007 A Bonds Sinking Fund, the Series 2007 A Bonds Redemption Account; and
- (3) Series 2007 A Bonds Reserve Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the 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 transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary to pay the current 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 or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay interest on the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay interest on the Parity 2007 Bonds; and (iii) commencing 6 months prior to the first interest payment date on the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2007 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 2007 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 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay the principal of the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay the principal of the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, and in the Series 2007 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 2007 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 2007 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 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the respective Reserve Accounts (i) the amounts required under the Prior Resolutions to fund the respective reserves requirements for the First Lien Bonds; (ii) the amounts required under the RUS Resolution to fund the respective reserves requirements for the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article V hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency

repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Sinking Fund for the Second Lien Bonds the amount required under the Prior Resolutions to pay principal of the Second Lien Bonds.

(7) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Reserve Account for the Second Lien Bonds the amount required under the Prior Resolutions.

(8) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund the amount, if any, required by the CIF Resolutions to be deposited into the CIF Surplus Fund.

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

Monies in the Series 2007 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2007 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 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 2007 A Bonds Sinking Fund or the Series 2007 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2007 A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2007 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2007 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 requirements therefor.

The payments into the Series 2007 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 2007 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2007 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.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the First Lien Bonds, the Series 2007 A Bonds and the Parity 2007 Bonds, senior and prior to the principal, interest or reserve payments for the Second Lien Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund and the Series 2007 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 all funds and accounts shall at all times be secured, to the full extent

thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

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 2007 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 annually transfer from the Series 2007 A Bonds Reserve Account, pro rata, to the Series 2007 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 2007 A Bonds Reserve Account an amount at least equal to the Series 2007 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 2007 A Bonds Reserve Account, whereupon such account shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2007 A Bonds Reserve

Account shall, at any time, be less than the Series 2007 A Bonds Reserve Requirement, 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 2007 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 2007 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2007 A Bonds in such manner and to such extent as may be necessary, so that the Series 2007 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 2007 A Bonds) so that the interest on the Series 2007 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 2007 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2007 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 2007 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 2007 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 2007 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 2007 A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution but shall be payable solely from the Net Revenues of the System, the monies in the Series 2007 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2007 A Bonds or monies in the Series 2007 A Bonds Construction Fund, all as herein provided. No Holder or Holders of the Series 2007 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 2007 A Bonds, or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Series 2007 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, on a parity with the lien on the Net Revenues in favor of the Holders of the First Lien Bonds and Parity 2007 Bonds, which lien and pledge are senior and prior to the lien on the Net Revenues in favor of the Holders of the Second Lien Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 2007 A Bonds herein authorized, and to make the payments into the Series 2007 A Bonds Sinking Fund, the Series 2007 A Bonds Reserve Account, 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 2007 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 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2007 A Bonds, including the First Lien Bonds, the Parity 2007 Bonds and the Second Lien Bonds.

The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer either is or is not in compliance with the rate covenant contained in this Section 6.04. In the event that any audit contains a statement that the Issuer is not in compliance with the rate covenant contained in this Section 6.04, the Issuer hereby covenants that it shall, within sixty (60) days of receiving the audit report, file a request with the Public Service Commission of West Virginia for a rate increase sufficient to comply with the above-mentioned rate requirement.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer 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 said System in the manner provided in this Resolution.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 2007 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 2007 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2007 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 2007 A Bonds. Any balance remaining after the payment of the Series 2007 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. 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. 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. 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 2007 A Bonds, except as provided in Section 6.08 herein. All obligations issued by the Issuer after the issuance of the Series 2007 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 2007 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 2007 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 2007 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. So long as the Prior Bonds and the Parity 2007 Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions and the RUS Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2007 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 (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of issuance of such additional Parity Bonds, and shall not exceed the amount to be stated in a certificate of the

Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period 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, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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 2007 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 2007 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, 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.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2007 A 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 20 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 water 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 either System until all billing for charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, has been fully paid. If the water facilities are 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 Series 2007 A Bond 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 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 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, 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 Department 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 Department 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 2007 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 2007 A Bonds, pro rata, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the First Lien Bonds and the Parity 2007 Bonds, and senior and prior to the lien in favor of the Holders of the Second Lien 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 2007 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 2007 A Bonds during the term thereof is, under the terms of the Series 2007 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 2007 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 2007 A Bonds during the term thereof is, under the terms of the Series 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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 2007 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.

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 2007 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2007 A 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 2007 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;

(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; or

(D) If default occurs with respect to the Prior Bonds and the Parity 2007 Bonds or the Prior Resolutions and RUS Resolution.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure to pay principal of or interest on the Bonds shall be an immediate event of default.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder 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 Series 2007 A 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. All rights and remedies of the Holders of the Series 2007 A Bonds shall be on a parity with one another and also on parity with those of the Holders of the First Lien Bonds and Parity 2007 Bonds, and senior and prior to those of the Holders of the Second Lien Bonds.

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 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 2007 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 2007 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 Financial Guaranty 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 2007 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 2007 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 2007 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2007 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 2007 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 2007 A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2007 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 2007 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 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 2007 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 2007 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 2007 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 2007 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 2007 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 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 Holders of all Series 2007 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 2007 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 2007 A Bonds from gross income for federal income tax purposes.

The Series 2007 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 2007 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 2007 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 2007 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2007 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 2007 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 2007 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 2007 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 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. 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 2007 A Bonds then Outstanding and affected thereby, 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 2007 A Bonds without the express written consent of the Holder of each Series 2007 A Bond so affected, nor reduce the percentage of Series 2007 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 Bond shall bind all future Holders and owners of such 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 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 Bonds shall be deemed Outstanding under this Resolution and no Bonds shall be issued in lieu thereof. All such 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 Bonds which remain unclaimed for 1 year after the date on which such 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 Bonds shall look only to the Issuer for the payment of such 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 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 or the Original Purchaser 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

Berkeley County Public Service Sewer District
Post Office Box 944
Martinsburg, West Virginia 25402-0944
Attention: Chairman

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, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Senior Vice President

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 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 2007 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 2007 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; provided that, in the event of any conflict between this Resolution and the resolutions authorizing the Prior Bonds, the resolutions authorizing the Prior Bonds shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

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 20th day of February, 2007.



Chairman

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Berkeley County Public Service Sewer District on the 20th day of February, 2007.

Dated this 6th day of March, 2007.

[SEAL]


Secretary

02/19/07
067740.00015

EXHIBIT A - SERIES 2007 A BONDS 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
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(WEST VIRGINIA)
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
_____%	_____, 20__	March 6, 2007	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley 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, 2007 (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 the 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 _____ 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 Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$3,970,000 designated "Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (Bank Qualified)" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 6, 2007, the proceeds of which are to be used, together with other funds of the Issuer, (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the System; and (ii) to pay certain costs of issuance of the Series 2007 A 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 February 20, 2007, and supplemented by a supplemental parameters resolution duly adopted by the Issuer on February 20, 2007 (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.

THIS BOND IS ISSUED ON A PARITY WITH OR SENIOR TO WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER WHICH HAVE THE LIEN POSITION SO DESIGNATED:

	<u>Designation</u>	<u>Lien Position</u>
1.	Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, issued in the original aggregate principal amount of \$1,638,194 (the "Series 1986 B Bonds")	First Lien
2.	Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, issued in the original aggregate principal amount of \$828,629 (the "Series 1990 A Bonds")	First Lien
3.	Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), dated October 5, 1994, issued in the original aggregate principal amount of \$494,288 (the "Series 1994 A Bonds")	First Lien
4.	Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), dated November 17, 1994, issued in the original aggregate principal amount of \$2,772,879 (the "Series 1994 C Bonds")	First Lien
5.	Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated February 9, 1995, issued in the original aggregate principal amount of \$3,837,640 (the "Series 1995 A Bonds")	First Lien
6.	Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), dated December 29, 1995, issued in the original aggregate principal amount of \$2,138,506 (the "Series 1995 B Bonds")	First Lien
		First Lien

	<u>Designation</u>	<u>Lien Position</u>
7.	Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), dated February 13, 1996, issued in the original aggregate principal amount of \$319,902 (the "Series 1996 A Bonds")	First Lien
8.	Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$2,628,633 (the "Series 1996 B Bonds")	First Lien
9.	Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$837,579 (the "Series 1996 C Bonds")	
10.	Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program), dated June 12, 1997, issued in the original aggregate principal amount of \$148,000 (the "Series 1997 A Bonds")	First Lien
11.	Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated December 11, 1997, issued in the original aggregate principal amount of \$1,250,000 (the "Series 1997 B Bonds")	First Lien
12.	Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated October 28, 1999, issued in the original aggregate principal amount of \$30,707,296 (the "Series 1999 A Bonds")	First Lien
13.	Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated May 25, 2000, issued in the original aggregate principal amount of \$937,500 (the "Series 2000 A Bonds")	First Lien
14.	Sewer Revenue Bonds, Series 2001 A (West Virginia Infrastructure Fund), dated March 30, 2001, issued in the original aggregate principal amount of \$429,000 (the "Series 2001 A Bonds")	First Lien
15.	Sewer Revenue Bonds, Series 2001 B (West Virginia SRF	First Lien

<u>Designation</u>	<u>Lien Position</u>
Program), dated August 7, 2001, issued in the original aggregate principal amount of \$2,909,850 (the "Series 2001 B Bonds")	First Lien
16. Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program), dated May 9, 2002, issued in the original aggregate principal amount of \$750,000 (the "Series 2002 A Bonds")	First Lien
17. Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), dated July 11, 2002, issued in the original aggregate principal amount of \$456,548 (the "Series 2002 B Bonds")	First Lien
18. Sewer Revenue Bonds, Series 2002 C (West Virginia SRF Program), dated August 28, 2002, issued in the original aggregate principal amount of \$30,500,000 (the "Series 2002 C Bonds")	First Lien
19. Sewer Revenue Bonds, Series 2002 D (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$4,965,465 (the "Series 2002 D Bonds")	First Lien
20. Sewer Revenue Bonds, Series 2002 E (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$560,822 (the "Series 2002 E Bonds")	First Lien
21. Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$252,922 (the "Series 2003 A Bonds")	First Lien
22. Sewer Revenue Bonds, Series 2003 B (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$330,862 (the "Series 2003 B Bonds")	First Lien
23. Sewer Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), dated November 30, 2004, issued in	

<u>Designation</u>	<u>Lien Position</u>
the original aggregate principal amount of \$1,999,600 (the "Series 2004 A Bonds")	
24. Sewer Refunding Revenue Bonds, Series 2006 A (Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$3,665,000 (the "Series 2006 A Bonds")	First Lien
25. Sewer Refunding Revenue Bonds, Series 2006 B (Non Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$240,000 (the "Series 2006 B Bonds")	First Lien
26. Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, issued in the original aggregate principal amount of \$38,669 (the "Series 1990 B Bonds")	Second Lien

The Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds are hereinafter collectively called the "First Lien Bonds"; and the Series 1990 B Bonds are hereinafter called the "Second Lien Bonds." The First Lien Bonds and the Second Lien Bonds are hereinafter collectively called the "Prior Bonds."

The Issuer also has outstanding its Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued in the aggregate principal amount of \$15,405,000 (the "CIF Bonds"). The CIF Bonds will be repaid solely from and will be secured solely by the Capacity Improvement Fees of the Issuer and the Surplus Revenues of the System (all as more clearly hereinafter defined and described) and WILL NOT BE PAYABLE FROM OR SECURED BY THE NET REVENUES OF THE SYSTEM.

The Issuer is issuing the Sewer Revenue Bonds, Series 2007 B, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 B Bonds"), Sewer Revenue Bonds, Series 2007 C, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 C Bonds"), Sewer Revenue Bonds, Series 2007 D, dated March 6, 2007, issued in the original aggregate principal amount of \$7,104,000 (the "Series 2007 D Bonds"), Sewer Revenue Bonds, Series 2007 E, dated March 6, 2007, issued in the original aggregate principal amount of \$500,000 (the "Series 2007 E Bonds"), and Sewer Revenue Bonds, Series 2007 F, dated March 6, 1990, issued in the original aggregate principal amount of \$_____ (the "Series 2007 F Bonds") simultaneously herewith. The Series 2007 B Bonds, Series 2007 C Bonds, Series 2007 D Bonds, Series 2007 E Bonds and Series 2007 F Bonds are hereinafter collectively referred to as the "Parity 2007 Bonds"). The Parity 2007 Bonds are being issued on a parity with the Series 2007 A Bonds and the First Lien Bonds and senior and prior to the Second Lien Bonds.

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 _____ (Dates Inclusive)	Redemption _____ Price
--	------------------------------

(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:

Bonds Maturing
Year () Principal Amount

* 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, on a parity with the pledge of Net Revenues in favor of the holders of the First Lien Bonds and Parity 2007 Bonds, and senior and prior to the pledge of Net Revenues in favor of the holders of the Second Lien Bonds, and from monies in the reserve account created under the Resolution for the Bonds (the "Series 2007 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 an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution, 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 2007 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 fiscal 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 subordinate to the Bonds, including the First Lien Bonds, the Parity 2007 Bonds and the Second Lien Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of acquisition and construction of certain additions, betterments and improvements to the System, 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, BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA) 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

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: _____, 2007.

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.

02/26/07
067740.00015

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING PARAMETERS AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED) OF BERKELEY COUNTY PUBLIC SERVICE SEWER 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; AUTHORIZING THE CHAIRMAN TO SELECT A BOND INSURER FOR THE SERIES 2007 A BONDS AND THE IMPLEMENTATION OF ANY AND ALL COVENANTS AND PROVISIONS REQUIRED AS A CONDITION TO OBTAINING SUCH MUNICIPAL BOND INSURANCE POLICY ON THE SERIES 2007 A BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, Berkeley County Public Service Sewer District (the "Issuer"), in the County of Berkeley, 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 February 20, 2007, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED), OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$3,970,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED TO FINANCE, IN PART, THE

ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT'S EXISTING SEWERAGE SYSTEM 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 BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT, 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, 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 issuance by the Issuer of its Sewer Revenue Bonds, Series 2007 A (Bank Qualified) in the aggregate principal amount of not more than \$3,970,000 (the "Series 2007 A Bonds"), for the purposes of paying a portion of the costs of acquisition and construction of additions, betterments and improvements to the System 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 2007 A Bonds should be established by a supplemental resolution, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2007 A Bonds be provided for by a supplemental resolution of the Governing Body, that additional covenants and provisions relating to the Bonds be provided therein, and that other matters pertaining to the Series 2007 A Bonds be provided for by a supplemental resolution of this Board;

WHEREAS, the Series 2007 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, to be dated the date of execution

thereof and in general form attached hereto and incorporated herein by reference (the "Bond Purchase Agreement");

WHEREAS, the Governing Body wishes to delegate to the Chairman the authority to approve, within the parameters set forth herein and in the Resolution, the final terms and provisions of all documents relating to the Series 2007 A Bonds (the "Bond Documents"), without the requirement of further official action by this Board; and

WHEREAS, the Governing Body deems it essential and desirable that this Supplemental Resolution be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Series 2007 A Bonds, hereinafter described, be approved, that the Issuer's Chairman be authorized to enter into the Bond Purchase Agreement within the parameters hereby approved by the Board, and that other matters relating to the Series 2007 A Bonds be herein provided for, all in accordance with said Resolution,

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF BERKELEY COUNTY PUBLIC SERVICE SEWER 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 2007 A Bonds. The Series 2007 A Bonds shall be issued in the aggregate principal amount not to exceed \$3,970,000, bear interest at a rate not to exceed 8%, payable semiannually on March 1 and September 1 of each year, commencing September 1, 2007, shall mature on March 1 in such years, shall be dated such date, upon original issuance, shall mature in such principal amounts on such dates (with final maturity no later than March 1, 2047), shall be subject to such redemption provisions, all as shall subsequently be approved by the Chairman; and shall be substantially in the form set forth in the Resolution, provided however, that the specific terms of the Series 2007 A Bonds shall be as determined by the Chairman at the time of the execution of the Bond Purchase Agreement and as approved by the Chairman in the Certificate of Series 2007 A Bonds Determinations attached hereto as EXHIBIT A. All other provisions relating to the Series 2007 A Bonds shall be as provided in the Resolution, and the Series 2007 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, 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 the Bond Purchase Agreement on behalf of the District 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 2007 A Bonds, including the payment of all necessary fees and expenses in connection therewith.

Section 3. The Continuing Disclosure Agreement by and between the Issuer and the United Bank, Inc., as Dissemination Agent, to be dated as of the date of delivery of the Series 2007 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 Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Continuing Disclosure Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 4. The distribution by the Original Purchaser of a Preliminary Official Statement (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 approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (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 Underwriter are hereby approved. The Chairman shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 5. 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 2007 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 6. 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 2007 A Bonds.

Section 7. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, for the purpose of serving in the capacity of Registrar.

Section 8. 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 Issuer does hereby appoint and designate Susquehanna Bank, Martinsburg, West Virginia for the purpose of serving in the capacity of Depository Bank.

Section 11. The notice addresses for the Registrar, Paying Agent and Depository Bank and Original Purchaser shall be as follows:

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

PAYING AGENT

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

DEPOSITORY BANK

Susquehanna Bank
301 West Burke Street
Martinsburg, West Virginia 25401

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Vice President

Section 10. 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 2007 A Bond issue to the end that the Series 2007 A Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 11. The financing of the project with proceeds of the Series 2007 A Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. This Supplemental Parameters Resolution shall be effective immediately.

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Adopted this 20th day of February, 2007.

Chairman

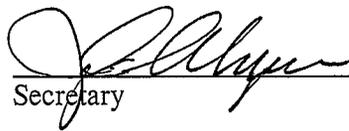
A handwritten signature in cursive script, appearing to read "John C. Pataki", is written over a horizontal line.

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Parameters Resolution duly adopted by the Public Service Board of BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT on the 20th day of February, 2007.

Dated this 6th day of March, 2007.

[SEAL]


Secretary

02.26.07
067740.00015

EXHIBIT A
FORM OF CERTIFICATE OF SERIES 2007 A BONDS DETERMINATIONS

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

CERTIFICATE OF DETERMINATIONS

The undersigned, John C. Kunkle, Chairman of Berkeley County Public Service Sewer District (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Public Service Board of the Issuer on February 20, 2007 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Sewer Revenue Bonds, Series 2007 A (the "Series 2007 A Bonds"), hereby finds and determines as follows:

1. The Series 2007 A Bonds shall be dated the date of closing thereon (estimated to be March 6, 2007) and shall bear interest on March 1 and September 1 of each year commencing September 1, 2007.
2. The Series 2007 A Bonds shall be issued in the aggregate principal amount of \$ _____, at a true interest cost of _____%. Such interest rates do not exceed 8%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.
3. The Series 2007 A Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.
4. The Series 2007 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.
5. The Series 2007 A Bonds shall be subject to optional and mandatory redemption as set forth on Schedule 2 attached hereto and incorporated herein.
6. The Series 2007 A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of \$ _____ (representing par value less an Underwriter's discount of \$ _____ and a net original issue premium of \$ _____).
7. The forms of the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Registrar Agreement and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2007 A Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2007 A Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this 22nd day of February, 2006.

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT

By: _____
Its: Chairman

Schedule 1

Maturity Schedule

Series 2007 A BOND TERMS

<u>Bond No.</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
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Schedule 2

Redemption Provisions:

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

CERTIFICATE OF DETERMINATIONS

The undersigned, John C. Kunkle, Chairman of Berkeley County Public Service Sewer District (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Public Service Board of the Issuer on February 20, 2007 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Sewer Revenue Bonds, Series 2007 A (the "Series 2007 A Bonds"), hereby finds and determines as follows:

1. The Series 2007 A Bonds shall be dated March 1, 2007 and shall bear interest on March 1 and September 1 of each year, commencing September 1, 2007. The Series 2007 A Bonds are expected to be delivered on March 6, 2007.

2. The Series 2007 A Bonds shall be issued in the aggregate principal amount of \$3,970,000, at a true interest cost of 4.9517306%. Such interest rates do not exceed 8%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2007 A Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. The Series 2007 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.

5. The Series 2007 A Bonds shall be subject to optional and mandatory redemption as set forth on Schedule 2 attached hereto and incorporated herein.

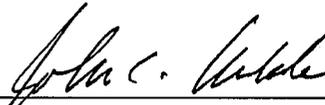
6. The Series 2007 A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of \$3,893,514.45 (representing par value less an Underwriter's discount of \$79,400, plus a net original issue premium of \$2,914.45) plus accrued interest from March 1, 2007 to March 6, 2007 in the amount of \$2,613.28.

7. The forms of the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Registrar Agreement and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2007 A Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2007 A Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this 23rd day of February, 2007.

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT

By: 
Its: Chairman

Schedule 1

Maturity Schedule

Series 2007 A BOND TERMS

\$3,970,000 Series 2007 A Bonds

\$205,000	4.100% Term Bonds, Due March 1, 2012 at 100.000%	CUSIP 084249 BR1
\$250,000	4.300% Term Bonds, Due March 1, 2017 at 100.000%	CUSIP 084249 BS9
\$305,000	4.500% Term Bonds, Due March 1, 2022 at 100.000%	CUSIP 084249 BT7
\$385,000	4.625% Term Bonds, Due March 1, 2027 at 99.418%	CUSIP 084249 BU4
\$1,080,000	4.650% Term Bonds, Due March 1, 2037 at 97.939%	CUSIP 084249 BV2
\$1,745,000	5.000% Term Bonds, Due March 1, 2047 at 101.571%	CUSIP 084249 BW0

Schedule 2

Redemption Provisions:

Mandatory Sinking Fund Redemption

The Series 2007 A Bonds maturing on March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2008	\$40,000
2009	\$40,000
2010	\$40,000
2011	\$40,000
2012 (maturity)	\$45,000

The principal amount of Series 2007 A Bonds maturing March 1, 2012, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2013	\$45,000
2014	\$50,000
2015	\$50,000
2016	\$50,000
2017 (maturity)	\$55,000

The principal amount of Series 2007 A Bonds maturing March 1, 2017, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2018	\$55,000
2019	\$60,000
2020	\$60,000
2021	\$65,000
2022 (maturity)	\$65,000

The principal amount of Series 2007 A Bonds maturing March 1, 2022, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2027, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2023, and on each March 1 thereafter to and including March 1, 2027, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2023	\$70,000
2024	\$75,000
2025	\$75,000
2026	\$80,000
2027 (maturity)	\$85,000

The principal amount of Series 2007 A Bonds maturing March 1, 2027, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2037, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2028, and on each March 1 thereafter to and including March 1, 2037, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2028	\$90,000
2029	\$90,000
2030	\$95,000
2031	\$100,000
2032	\$105,000
2033	\$110,000
2034	\$115,000
2035	\$120,000
2036	\$125,000
2037 (maturity)	\$130,000

The principal amount of Series 2007 A Bonds maturing March 1, 2037, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2047, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2038, and on each March 1 thereafter to and including March 1, 2047, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2038	\$140,000
2039	\$145,000
2040	\$155,000
2041	\$160,000
2042	\$170,000
2043	\$175,000
2044	\$185,000
2045	\$195,000
2046	\$205,000
2047 (maturity)	\$215,000

The principal amount of Series 2007 A Bonds maturing March 1, 2047, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

Optional Redemption

The Series 2007 A Bonds are subject to optional redemption by the Issuer, without premium or penalty, at the direction of the District, on and after March 1, 2017, in whole on any date or in part on any Interest Payment Date (and if in part, the District shall select the maturities of the Series 2007 A Bonds to be redeemed in such order of maturity as the District shall specify and within a maturity by lot or by such other method as the Bond Trustee determines in its sole discretion to be fair and reasonable and in denominations of \$5,000 and integral multiples thereof), at the redemption price of 100% of the principal amount thereof being redeemed, together with accrued interest, if any, to the date fixed for redemption.

Special Redemption

The Series 2007 Bonds are subject to redemption at the option and direction of the District, prior to maturity, in whole or in part from time to time on any Interest Payment Date, with the 2037 Term Bonds being called first, the 2027 Term Bonds being called second and the 2047 Term Bonds being called last, by lot within a maturity, in principal amounts of \$100,000, and multiples of \$5,000 in excess of \$100,000, from amounts deposited with the Bond Trustee by the District from funds of the District available therefore (other than proceeds of refunding bonds or loan proceeds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On the 6th day of March, 2007, the undersigned, Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, and the Chairman of Berkeley County Public Service Sewer District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 6th day of March, 2007, in New York, New York, the Underwriter received the entire original issue of \$3,970,000 in aggregate principal amount of the Berkeley County Public Service Sewer District (West Virginia) Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A Bonds"). The Bonds, as so received on original issuance, are in various denominations, are all dated March 6, 2007, 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 John C. Kunkle 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 John E. Myers as Secretary of the Issuer by his manual signature, and had been authenticated by an authorized officer of United Bank, Inc., as Registrar.

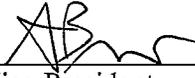
3. The Issuer has received and hereby acknowledges receipt from the Underwriter, as the original purchaser of the Bonds, the proceeds of the Bonds, as follows:

Par Amount	\$ 3,970,000.00
Less: Underwriter's Discount	\$(79,400.00)
Plus: Net Original Issue Premium	\$ 2,914.45
Accrued Interest From March 1 to March 6	\$ 2,613.28
Total	<u>\$3,896,127.73</u>

Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of \$3,896,127.73.

WITNESS our respective signatures as of the day and year first stated above.

CREWS & ASSOCIATES, INC.

By:  _____
Its: Vice President

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT

By:  _____
Its: Chairman

02.26.07
067740.00015

CH873147.2

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

United Bank, Inc., as Registrar
Charleston, West Virginia

Ladies and Gentlemen:

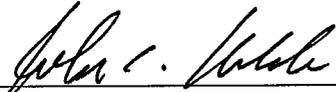
On the 6th day of March, 2007, there are delivered to you herewith as Registrar for the above-captioned Bonds:

1. Bonds Nos. AR-1 through AR-6, inclusive, constituting the entire original issue of the Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (Bank Qualified), dated March 1, 2007, in the aggregate principal amount of \$3,970,000, (the "Bonds"), executed by the Chairman and Secretary of Berkeley County Public Service Sewer District (the "Issuer") and bearing the official seal of the Issuer. The Bond is authorized to be issued under and pursuant to a Resolution adopted by the Issuer on February 20, 2007, as supplemented by a Supplemental Parameters Resolution adopted by the Issuer on February 20, 2007 (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 as of the day and year first stated above.

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT

By: 
Its: Chairman

02.26.07
067740.00015

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

\$205,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(WEST VIRGINIA)
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.100%	March 1, 2012	March 1, 2007	084249BR1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley 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 March 1 and September 1, in each year, beginning September 1, 2007 (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 the 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 February 15 and August 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 \$3,970,000 designated "Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (Bank Qualified)" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 1, 2007, the proceeds of which are to be used, together with other funds of the Issuer, (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the System; and (ii) to pay certain costs of issuance of the Series 2007 A 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 February 20, 2007, and supplemented by a supplemental parameters resolution duly adopted by the Issuer on February 20, 2007 (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.

THIS BOND IS ISSUED ON A PARITY WITH OR SENIOR TO WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER WHICH HAVE THE LIEN POSITION SO DESIGNATED:

<u>Designation</u>	<u>Lien Position</u>
1. Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, issued in the original aggregate principal amount of \$1,638,194 (the "Series 1986 B Bonds")	First Lien
2. Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, issued in the original aggregate principal amount of \$828,629 (the "Series 1990 A Bonds")	First Lien
3. Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), dated October 5, 1994, issued in the original aggregate principal amount of \$494,288 (the "Series 1994 A Bonds")	First Lien
4. Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), dated November 17, 1994, issued in the original aggregate principal amount of \$2,772,879 (the "Series 1994 C Bonds")	First Lien
5. Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated February 9, 1995, issued in the original aggregate principal amount of \$3,837,640 (the "Series 1995 A Bonds")	First Lien
6. Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), dated December 29, 1995, issued in the original aggregate principal amount of \$2,138,506 (the "Series 1995 B Bonds")	First Lien
7. Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), dated February 13, 1996, issued in the original aggregate principal amount of \$319,902 (the "Series 1996 A Bonds")	First Lien
8. Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$2,628,633 (the "Series 1996 B Bonds")	First Lien

	<u>Designation</u>	<u>Lien Position</u>
9.	Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$837,579 (the "Series 1996 C Bonds")	First Lien
10.	Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program), dated June 12, 1997, issued in the original aggregate principal amount of \$148,000 (the "Series 1997 A Bonds")	First Lien
11.	Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated December 11, 1997, issued in the original aggregate principal amount of \$1,250,000 (the "Series 1997 B Bonds")	First Lien
12.	Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated October 28, 1999, issued in the original aggregate principal amount of \$30,707,296 (the "Series 1999 A Bonds")	First Lien
13.	Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated May 25, 2000, issued in the original aggregate principal amount of \$937,500 (the "Series 2000 A Bonds")	First Lien
14.	Sewer Revenue Bonds, Series 2001 A (West Virginia Infrastructure Fund), dated March 30, 2001, issued in the original aggregate principal amount of \$429,000 (the "Series 2001 A Bonds")	First Lien
15.	Sewer Revenue Bonds, Series 2001 B (West Virginia SRF Program), dated August 7, 2001, issued in the original aggregate principal amount of \$2,909,850 (the "Series 2001 B Bonds")	First Lien
16.	Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program), dated May 9, 2002, issued in the original aggregate principal amount of \$750,000 (the "Series 2002 A Bonds")	First Lien
17.	Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), dated July 11, 2002, issued in the original aggregate principal amount of \$456,548 (the "Series 2002 B Bonds")	First Lien
18.	Sewer Revenue Bonds, Series 2002 C (West Virginia SRF Program), dated August 28, 2002, issued in the original aggregate principal amount of \$30,500,000 (the "Series 2002 C Bonds")	First Lien

	<u>Designation</u>	<u>Lien Position</u>
19.	Sewer Revenue Bonds, Series 2002 D (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$4,965,465 (the "Series 2002 D Bonds")	First Lien
20.	Sewer Revenue Bonds, Series 2002 E (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$560,822 (the "Series 2002 E Bonds")	First Lien
21.	Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$252,922 (the "Series 2003 A Bonds")	First Lien
22.	Sewer Revenue Bonds, Series 2003 B (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$330,862 (the "Series 2003 B Bonds")	First Lien
23.	Sewer Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), dated November 30, 2004, issued in the original aggregate principal amount of \$1,999,600 (the "Series 2004 A Bonds")	First Lien
24.	Sewer Refunding Revenue Bonds, Series 2006 A (Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$3,665,000 (the "Series 2006 A Bonds")	First Lien
25.	Sewer Refunding Revenue Bonds, Series 2006 B (Non Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$240,000 (the "Series 2006 B Bonds")	First Lien
26.	Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, issued in the original aggregate principal amount of \$38,669 (the "Series 1990 B Bonds")	Second Lien

The Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds are hereinafter collectively called the "First Lien Bonds"; and the Series 1990 B Bonds are hereinafter called the "Second Lien Bonds." The First Lien Bonds and the Second Lien Bonds are hereinafter collectively called the "Prior Bonds."

The Issuer also has outstanding its Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued in the aggregate principal amount of \$15,405,000 (the "CIF Bonds"). The CIF Bonds will be repaid solely from and will be secured solely by the Capacity Improvement Fees of the Issuer and the Surplus Revenues of the System (all as more clearly hereinafter defined and described) and WILL NOT BE PAYABLE FROM OR SECURED BY THE NET REVENUES OF THE SYSTEM.

The Issuer is issuing the Sewer Revenue Bonds, Series 2007 B, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 B Bonds"), Sewer Revenue Bonds, Series 2007 C, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 C Bonds"), Sewer Revenue Bonds, Series 2007 D, dated March 6, 2007, issued in the original aggregate principal amount of \$7,104,000 (the "Series 2007 D Bonds"), Sewer Revenue Bonds, Series 2007 E, dated March 6, 2007, issued in the original aggregate principal amount of \$500,000 (the "Series 2007 E Bonds"), and Sewer Revenue Bonds, Series 2007 F, dated March 6, 2007, issued in the original aggregate principal amount of \$4,999,900 (the "Series 2007 F Bonds") simultaneously herewith. The Series 2007 B Bonds, Series 2007 C Bonds, Series 2007 D Bonds, Series 2007 E Bonds and Series 2007 F Bonds are hereinafter collectively referred to as the "Parity 2007 Bonds". The Parity 2007 Bonds are being issued on a parity with the Series 2007 A Bonds and the First Lien Bonds and senior and prior to the Second Lien Bonds.

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:

Redemption Provisions:

Mandatory Sinking Fund Redemption

The Series 2007 A Bonds maturing on March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2008	\$40,000
2009	\$40,000
2010	\$40,000
2011	\$40,000
2012 (maturity)	\$45,000

The principal amount of Series 2007 A Bonds maturing March 1, 2012, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2013	\$45,000
2014	\$50,000
2015	\$50,000
2016	\$50,000
2017 (maturity)	\$55,000

The principal amount of Series 2007 A Bonds maturing March 1, 2017, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2018	\$55,000
2019	\$60,000
2020	\$60,000
2021	\$65,000
2022 (maturity)	\$65,000

The principal amount of Series 2007 A Bonds maturing March 1, 2022, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2027, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2023, and on each March 1 thereafter to and including March 1, 2027, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2023	\$70,000
2024	\$75,000
2025	\$75,000
2026	\$80,000
2027 (maturity)	\$85,000

The principal amount of Series 2007 A Bonds maturing March 1, 2027, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2037, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2028, and on each March 1 thereafter to and including March 1, 2037, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2028	\$90,000
2029	\$90,000
2030	\$95,000
2031	\$100,000
2032	\$105,000
2033	\$110,000
2034	\$115,000
2035	\$120,000
2036	\$125,000
2037 (maturity)	\$130,000

The principal amount of Series 2007 A Bonds maturing March 1, 2037, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2047, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 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 March 1, 2038, and on each March 1 thereafter to and including March 1, 2047, in annual principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2038	\$140,000
2039	\$145,000
2040	\$155,000
2041	\$160,000
2042	\$170,000
2043	\$175,000
2044	\$185,000
2045	\$195,000
2046	\$205,000
2047 (maturity)	\$215,000

The principal amount of Series 2007 A Bonds maturing March 1, 2047, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

Optional Redemption

The Series 2007 A Bonds are subject to optional redemption by the Issuer, without premium or penalty, at the direction of the District, on and after March 1, 2017, in whole on any date or in part on any Interest Payment Date (and if in part, the District shall select the maturities of the Series 2007 A Bonds to be redeemed in such order of maturity as the District shall specify and within a maturity by lot or by such other method as the Bond Trustee determines in its sole discretion to be fair and reasonable and in denominations of \$5,000 and integral multiples thereof), at the redemption price of 100% of the principal amount thereof being redeemed, together with accrued interest, if any, to the date fixed for redemption.

Special Redemption

The Series 2007 Bonds are subject to redemption at the option and direction of the District, prior to maturity, in whole or in part from time to time on any Interest Payment Date, with the 2037 Term Bonds being called first, the 2027 Term Bonds being called second and the 2047 Term Bonds being called last, by lot within a maturity, in principal amounts of \$100,000, and multiples of \$5,000 in excess of \$100,000, from amounts deposited with the Bond Trustee by the District from funds of the District available therefore (other than proceeds of refunding bonds or loan proceeds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

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, on a parity with the pledge of Net Revenues in favor of the holders of the First Lien Bonds and Parity 2007 Bonds, and senior and prior to the pledge of Net Revenues in favor of the holders of the Second Lien Bonds, and from monies in the reserve account created under the Resolution for the Bonds (the "Series 2007 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 an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution, 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 2007 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 fiscal 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 subordinate to the Bonds, including the First Lien Bonds, the Parity 2007 Bonds and the Second Lien Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of acquisition and construction of certain additions, betterments and improvements to the System, 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, BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA) 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]



Chairman

ATTEST:



Secretary

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: March 1, 2007.

UNITED BANK, INC., as Registrar

By: 
Is: 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.

02.27.07
067740.00015

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

\$250,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(WEST VIRGINIA)
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.300%	March 1, 2017	March 1, 2007	084249BS9
REGISTERED OWNER:	CEDE & CO.		
PRINCIPAL AMOUNT:	TWO HUNDRED FIFTY THOUSAND DOLLARS		

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley 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

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

\$305,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(WEST VIRGINIA)
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.500%	March 1, 2022	March 1, 2007	084249BT7
REGISTERED OWNER:	CEDE & CO.		
PRINCIPAL AMOUNT:	THREE HUNDRED FIVE THOUSAND DOLLARS		

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley 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

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

\$385,000

UNITED STATES OF AMERICA
 STATE OF WEST VIRGINIA
 BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
 (WEST VIRGINIA)
 SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.625%	March 1, 2027	March 1, 2007	084249BU4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley 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

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

\$1,080,000

UNITED STATES OF AMERICA
 STATE OF WEST VIRGINIA
 BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
 (WEST VIRGINIA)
 SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.650%	March 1, 2037	March 1, 2007	084249BV2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION EIGHTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley 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

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-6

\$1,745,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(WEST VIRGINIA)
SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.000%	March 1, 2047	March 1, 2007	084249BW0

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION SEVEN HUNDRED FORTY-FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley 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

**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 14th day of September, 2006.

CASE NO. 06-0026-PSD-CN

**BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT**

Application for a certificate of convenience and necessity to construct, operate and maintain the North Berkeley Sewer Project, Phase I in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County.

COMMISSION ORDER

On January 10, 2006, the Berkeley County Public Service Sewer District (District) filed an application for a certificate of convenience and necessity to construct, operate and maintain the North Berkeley Sewer Project Phase I (Project) in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County. The Project was estimated to cost \$28,626,500.00.

In support of the application, the District explained that the Project system configuration follows the District's 10-year plan of constructing a sewer infrastructure "backbone" along the I-81 and Route 11 corridors to serve existing potential customers in pocket areas of development. The District says this will immediately provide public sewer facilities to the high density areas that have the greatest need and also provide public sewer facilities for extension by private development in areas dictated by market demand and land availability. Furthermore, the District asserts that the West Virginia Department of Environmental Protection and United States Geological Survey (USGS) have identified a serious groundwater contamination problem in and adjacent to areas affected by this Project that is caused by a high rate of failure of private septic systems. The problem is expected to worsen in those areas with a high rate of residential and commercial growth. According to the District, the Project will significantly alleviate the contamination problem by retiring from service more than 1,647 private septic systems,

six package treatment plants owned and operated by private entities, and one complex package treatment facility owned and operated by the District, which lack the efficiency and treatment capability of the Sequencing Batch Reactor wastewater treatment technology to be utilized by the District.

The District states in its application that although the current estimated project cost is \$28,626,500.00, it estimates that the total project cost may increase to a maximum of \$34,000,000.00 at the time of construction. The District intends to fund the entire cost with a subsidized loan through the USDA Rural Utility Service (RUS) at 4.25% interest for a term of 40 years. The District said it also intends to obtain interim construction financing with a line of credit through Susquehanna Bank (SA) (\$50,000.00 front-end fee) at an interest rate based upon the five-year Treasury Note on the date of closing. The Project will serve 2,088 customers, including 1,647 new customers.

In its application, the District requested a waiver of the Rule 42 requirements because it is not seeking a rate change. The District's current customer base and the 1,647 new customers to be added as a result of the Project will generate sufficient revenues to pay for the additional debt service and operations and maintenance expenses of the Project without necessitating a rate increase.

A Notice of Filing was entered on January 11, 2006, directing the District to give notice of the filing of its application.

Commission Staff filed an Initial Joint Staff Memorandum and a formal data request on February 7, 2006.

Affidavits of publication were filed on February 17, 2006, on behalf of the District. The Notice of Filing was published in *The Journal* on January 20, 2006. The notice provided a thirty-day period, following the date of publication, during which time protests or interventions could be filed.

The District responded to Staff's formal data request by filing various documents on February 27, 2006 and on March 14, 2006.

Various protest and follow-up letters were filed between March 22, 2006 and June 7, 2006.

Staff filed its Final Joint Staff Memorandum on August 14, 2006, noting that the statutory thirty-day protest period ended on Monday, February 20, 2006. Although approximately seven protest letters were filed, all were filed after the statutory thirty-day protest period. Staff also discussed at length the adequate documentation of the need for this Project, including the serious groundwater contamination project identified by the USGS.

With regard to the RUS funding, Staff explained that the annual debt service payments on the RUS loan will be approximately \$1,519,755. Currently the District only has RUS funding committed for \$25,104,000. The District is pursuing the additional \$3,522,500 commitment from RUS. The District has secured funding of the \$3,522,500 deficit with the commitment of tax-exempt bonds underwritten from Crews & Associates. Funding for the tax-exempt bonds has been secured as a backup in case the additional amount cannot be secured from RUS.

Additionally, Staff explained that the District's proposed interim financing would be retired by the RUS loan once the proceeds are distributed. However, the SB interim financing would require a \$50,000 up-front or loan application processing fee. Staff feels that the up-front fee is excessive and suggests the District seek alternative proposals. In discussions with the District, Staff said it was indicated that interim financing may not be necessary. The District obtained a commitment from SB in case interim financing would be necessary. However, Staff recommended denial of this proposed interim financing through SB and recommended that the District seek and obtain at least two other interim financing proposals and provide documentation of those proposals to the Commission.

The District has requested a waiver of the Rule 42 requirements on the grounds that the Project will not require any rate increase. The District has submitted funding commitment letters, revenue projections, and a cash flow analysis as support. The project will serve approximately 2,088 customers, including 1,647 new customers. The District's revenue projections are based upon the 2,088 customers, approximately 1,523 additional customers from developments that will be able to connect, and a projected growth estimate. In its cash flow analysis, Staff has not provided for the projected growth estimate due to those customers not being known and measurable. The 1,523 additional customers are customers currently or in the near future receiving sewer service from packaged treatment plants from individual developments. The construction of this plant will provide the opportunity for these customers to connect to the District's system. Staff's cash flow analysis states project related costs along with the 2,088 Project customers. Verbally, the District has stated to Staff that they have approximately another 300 new customers to sign on to the Project after the filing date.

Based on the engineer's estimates, the annual O&M expenses will increase \$463,700 primarily from power, labor, and maintenance associated with this Project. The Staff Engineer reviewed these estimates and recommends only a \$213,357 increase. Staff explained that the District's current rates contain no minimum charges and provide an average residential bill for 4,500 gallons of \$42.10. After completion of this Project, the District, based on Staff's cash flow analysis, is proposed to have operating revenues and operating expenses of \$10,877,359 and \$4,170,973, respectively. This amount of operating revenues will be sufficient to cover the proposed annual operating expenses, debt service, and reserve requirements while providing a cash flow surplus of approximately \$711,518 and a debt coverage ratio of 128.69%.

Based on the above, Staff recommended the District be granted the requested certificate of convenience and necessity, without hearing. Staff also recommended approval of the Staff-recommended rates and the following Project financing: a \$25,104,000 RUS loan (4.25% for 40 years) and \$3,522,500 Tax-exempt Bonds. Staff recommended that the requested interim financing be denied and that the District pursue other interim avenues, if ultimately necessary. Finally, Staff also recommended that a copy of the bids be filed as soon as they are tabulated and that the District notify the Commission when its engineer has performed the substantial completion of the Project.

DISCUSSION

At the outset, the Commission notes that *W. Va. Code* § 24-2-11 provides, in pertinent part, as follows:

(a) No public utility . . . shall begin the construction of any plant . . . for furnishing to the public any [utility] service . . . unless and until it shall obtain from the public service commission a certificate of convenience and necessity requiring such construction Upon the filing of any application for such certificate, and after hearing, the commission may, in its discretion, issue or refuse to issue, or issue in part and refuse in part, such certificate of convenience and necessity: Provided, That the commission, after it gives proper notice and if no protest is received within thirty days after the notice is given, may waive formal hearing on the application.

Furthermore, in considering a certificate application, the Commission must assess whether the general public convenience will be served and assess the public necessity for the Project. *Sexton v. Public Service Commission*, 188 W.Va. 305, 423 S.E.2d 914 (1992).

The Commission concludes that the Project is needed for those reasons given and discussed above, including the serious groundwater contamination problem identified by the USGS in and adjacent to areas affected by this Project. will serve approximately 2,088 customers, including 1,647 new customers. Moreover, the Commission concludes that the general public convenience will be served by this Project since the District will not raise its rates as a result of this Project.

The Notice of Filing of the District's application was published in *The Journal* on January 20, 2006, allowing for a thirty-day period, following the date of publication, during which time protests or interventions could be filed. Thus, the protest period expired on Monday, February 20, 2006. The Commission acknowledges that various protest and follow-up letters were filed between March 22, 2006 and June 7, 2006. As the protest

letters were filed after the statutory thirty-day protest period, the Commission concludes that it is appropriate to waive formal hearing on this application.

The Commission will approve the District's proposed financing, consisting of a \$25,104,000 RUS loan (4.25% for 40 years) and \$3,522,500 Tax-exempt Bonds. The Commission concurs, however, with Staff's reasoning in that the proposed interim financing should be denied.

Given Staff's analysis and that the District is not increasing rates as a result of the Project, the Commission concludes that it is appropriate to grant the requested waiver of the requirements of Tariff Rule 42.

While the District did not request a rate increase in this case, Staff explained that the District's current rates contain no minimum charges and provide an average residential bill for 4,500 gallons of \$42.10. With proper calculation, this is correct. However, the Commission notes the following: 1) that the District's current tariff includes: "Flat Rate: \$42.08 per month"; and 2) Staff's recommended tariff includes: "Flat Rate Charge Equivalent of 4,500 gallons of water usage, \$42.10 per month." Although an increase is noted in the Staff-recommended tariff, the two cent increase is merely a mathematical correction. The Commission will therefore approve the Staff-recommended tariff and the correction therein.

Accordingly, the Commission will (1) grant the requested certificate of convenience and necessity to the District, without hearing; (2) approve the financing for the Project, consisting of a \$25,104,000 RUS loan (4.25% for 40 years) and \$3,522,500 Tax-exempt Bonds; (3) grant the requested Rule 42 waiver; (4) approve Staff's recommended rates and charges, which include a mathematical correction of the Flat Rate Charge; (5) deny the proposed interim financing and require the District seek and obtain at least two other interim financing proposals, providing documentation of those proposals to the Commission; (6) require the District to submit a copy of the bids as soon as they are tabulated; (7) require the District to notify the Commission when its engineer has performed the substantial completion of the Project and (8) require the District to request a reopening of this case if there is any change in the plans and/or scope of the Project, or where a change in financing affects rates. If there is a change in the project cost that does not affect rates, the District shall file an affidavit signed by its CPA verifying rates are not affected.

FINDINGS OF FACT

1. On January 10, 2006, District filed an application for a certificate of convenience and necessity to construct, operate and maintain the North Berkeley Sewer Project Phase I in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County. The Project was estimated to cost \$28,626,500.00.

2. The project system configuration follows the District's 10-year plan of constructing a sewer infrastructure "backbone" along the I-81 and Route 11 corridors to serve existing potential customers in pocket areas of development.

3. The West Virginia Department of Environmental Protection and USGS have identified a serious groundwater contamination problem in and adjacent to areas affected by this Project that is caused by a high rate of failure of private septic systems. The problem is expected to worsen in those areas with a high rate of residential and commercial growth.

4. The Project will significantly alleviate the contamination problem by retiring from service more than 1,647 private septic systems, six package treatment plants owned and operated by private entities, and one complex package treatment facility owned and operated by the District, which lack the efficiency and treatment capability of the Sequencing Batch Reactor wastewater treatment technology to be utilized by the District.

5. The District intends to fund the entire cost with a subsidized loan through the USDA RUS at 4.25% interest for a term of 40 years.

6. Currently the District only has RUS funding committed for \$25,104,000. The District is pursuing the additional \$3,522,500 commitment from RUS.

7. The District has secured funding of the \$3,522,500 deficit with the commitment of tax-exempt bonds underwritten from Crews & Associates. Funding for the tax-exempt bonds has been secured as a backup in case the additional amount cannot be secured from RUS.

8. The District proposed interim construction financing with a line of credit through Susquehanna Bank (\$50,000.00 front-end fee) at an interest rate based upon the five-year Treasury Note on the date of closing.

9. The District requested a waiver of the Rule 42 requirements because it is not seeking a rate change.

10. The Notice of Filing was published in *The Journal* on January 20, 2006. (See Affidavits of publication, filed February 17, 2006).

11. The Notice of Filing provided a thirty-day period, following the date of publication, during which time protests or interventions could be filed.

12. The statutory thirty-day protest period ended on Monday, February 20, 2006.

13. Various protest and follow-up letters were filed between March 22, 2006 and June 7, 2006.

14. On August 14, 2006, Staff recommended the District be granted the requested certificate of convenience and necessity, without hearing. Staff also recommended approval of the Staff-recommended rates and the following Project financing: a \$25,104,000 RUS loan (4.25% for 40 years) and \$3,522,500 Tax-exempt Bonds. Staff recommended that the requested interim financing be denied and that the District pursue other interim avenues, if ultimately necessary. Finally, Staff also recommended that a copy of the bids be filed as soon as they are tabulated and that the District notify the Commission when its engineer has performed the substantial completion of the Project.

CONCLUSIONS OF LAW

1. The District's requested certificate of convenience and necessity should be granted to the District, without hearing.

2. The District's financing for the Project, consisting of a \$25,104,000 RUS loan (4.25% for 40 years) and \$3,522,500 Tax-exempt Bonds, should be approved.

3. The District should be granted the requested Rule 42 waiver, as it will not increase its rates as a result of this Project.

4. Staff's recommended rates and charges, which include a mathematical correction of the Flat Rate Charge, should be approved.

5. The District's proposed interim financing should not be approved. The District should be required to seek and obtain at least two other interim financing proposals, if it becomes necessary, and provide documentation of those proposals to the Commission.

6. The District should be required to submit a copy of the bids as soon as they are tabulated.

7. The District should notify the Commission when its engineer has certified the Project as substantially complete.

8. The District should request a reopening of this case if there is any change in the plans and/or scope of the Project, or where a change in financing affects rates. If there is a change in the Project cost that does not affect rates, the District shall file an affidavit signed by its CPA verifying rates are not affected.

ORDER

IT IS, THEREFORE, ORDERED that the Berkeley County Public Service Sewer District is hereby granted a certificate of convenience and necessity to construct, operate

and maintain the North Berkeley Sewer Project Phase I, at an estimated Project cost of \$28,626,500.00.

IT IS FURTHER ORDERED that the Berkeley County Public Service Sewer District's financing for the Project is hereby approved, consisting of a \$25,104,000 RUS loan (4.25% for 40 years) and \$3,522,500 Tax-exempt Bonds.

IT IS FURTHER ORDERED that the Berkeley County Public Service Sewer District's proposed interim financing is hereby denied. The District shall seek and obtain at least two other interim financing proposals, if it becomes necessary, and provide documentation of those proposals to the Commission.

IT IS FURTHER ORDERED that the Berkeley County Public Service Sewer District's requested waiver of the requirements of Tariff Rule 42 is hereby granted.

IT IS FURTHER ORDERED that Staff's recommended rates and charges, attached hereto as Attachment A, are hereby approved.

IT IS FURTHER ORDERED that the Berkeley County Public Service Sewer District submit a copy of the bids as soon as they are tabulated.

IT IS FURTHER ORDERED that the Berkeley County Public Service Sewer District notify the Commission when its engineer has certified the project as substantially complete.

IT IS FURTHER ORDERED that the Berkeley County Public Service Sewer District shall request a reopening of this case if there is any change in the plans and/or scope of the Project, or where a change in financing affects rates.

IT IS FURTHER ORDERED that if there is a change in the Project cost that does not affect rates, the Berkeley County Public Service Sewer District shall file an affidavit signed by its CPA verifying rates are not affected.

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

TBS/ljm
060026c.wpd

A True Copy. Testes:


Sandra Squire
Executive Secretary

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
Case No. 06-0026-PSD-CN

APPROVED RATES

APPLICABILITY

Applicable to all customers served by the Berkeley County Public Service Sewer District other than the former customers of Sylvan Grove Waste Treatment, Inc.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service

(C) RATES

Usage Charge:	\$7.60 per 1,000 gallons of water usage
Service Charge:	\$7.90 per month

(C,I) FLAT RATE CHARGE

Equivalent of 4,500 gallons of water usage, \$42.10 per month.

(C) TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$350.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is applicable.

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Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement, a disconnection fee of \$10.00 shall be charged; or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of \$10.00 shall be charged.

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An additional amount shall be charged where surface or ground water is introduced into the sanitary system where evidence of a violation exists.

Surcharge formula to be applied in cases where surface drainage is connected to the utility's sewer system.

Applicability

Whenever the utility has discovered that a customer's roof drain, downspout, storm sewer or similar facilities that conduct surface water have been connected to the utility's sewer system, and such customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the utility in accordance with the Rules of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

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- S = The surcharge in dollars
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APPROVED-CAPACITY IMPROVEMENT FEES (CIFs)
APPLICABLE TO DEVELOPERS ONLY

<u>Meter Size</u>	<u>Factor</u>	<u>CIF</u>
5/8 inch	1	\$ 1,581.00
3/4 inch	1.1	1,739.00
1 inch	1.4	2,213.00
1- 1/2 inch	1.8	2,845.00
2 inch Standard	2.9	4,584.00
2 inch Compound	2.5	3,952.00
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6 inch Standard	21	33,194.00
6 inch Compound	50	79,034.00
8 inch Standard	29	45,840.00
8 inch Compound	80	126,455.00

Meters in excess of 8 inches will be individually evaluated.

CIFs are due as of the date of the final sewer availability letter issued by the Berkeley County Public Service Sewer District.

The following property owners are exempt from payment of the CIF - owners of existing or new (being constructed) single-family structures, where the person applying for service will be the customer of record, and the proposed service location is not part of a larger land tract under development, or a subdivided portion of a larger tract that was previously subdivided for commercial or residential development, for profit.

APPLICABILITY

Applicable to all former customers of Sylvan Grove Waste Treatment, Inc.

AVAILABILITY OF SERVICE

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CHARGES

First	3,000 gallons per month	\$8.05 per 1,000 gallons
Next	7,000 gallons per month	\$7.02 per 1,000 gallons
All Over	10,000 gallons per month	\$5.11 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than \$24.15 per month, which is the equivalent of 3,000 gallons of usage.

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The following charge is to be made whenever the utility installs a new tap to serve an applicant.

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 15th day of February, 2007.

CASE NO. 06-0026-PSD-CN

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Application for a certificate of convenience and necessity to construct, operate and maintain the North Berkeley Sewer Project, Phase I in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County.

COMMISSION ORDER

On January 10, 2006, the Berkeley County Public Service Sewer District (District) filed an application for a certificate of convenience and necessity to construct, operate and maintain the North Berkeley Sewer Project Phase I (Project) in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County. The Project was estimated to cost \$28,626,500.00.

On July 19, 2006, the Commission issued an order in Case No. 06-0630-PSD-T, *Berkeley County Public Service Sewer District*, that approved an increase in the disconnect/reconnect/administrative fees, the addition of a return check charge, and the modification of the conversion factor to measure inches of rain water.

The Commission granted the District a certificate of convenience and necessity in the present case by order issued September 14, 2006. That order also approved certain rates for the project:

On January 17, 2007, Commission Staff (Staff) filed a petition to reopen this proceeding. As cause for its petition, Staff stated that the rates approved in the Commission's September 14, 2006 order did not include the changes made in the District's tariff in Case No. 06-0630-PSD-T. Staff recommended a corrective order be issued which incorporated the rates approved in this case and the changes approved in Case No. 06-0630-PSD-T.

UPON CONSIDERATION the Commission finds that the District's tariff should be corrected to include changes and increases approved in both cases.

ORDER

IT IS THEREFORE ORDERED that Commission Staff's petition to reopen this proceeding is hereby granted.

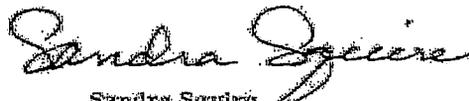
IT IS FURTHER ORDERED that Berkeley County Public Service Sewer District's tariff is modified, and the rates in Appendix A are hereby approved for use.

IT IS FURTHER ORDERED that within thirty (30) days of the date of this order Berkeley County Public Service Sewer District shall file an original and five (5) copies of the approved tariff with the Commission.

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, Testar


Sandra Squire
Executive Secretary

LHG/s
060026ca.wpd

UPON CONSIDERATION the Commission finds that the District's tariff should be corrected to include changes and increases approved in both cases.

ORDER

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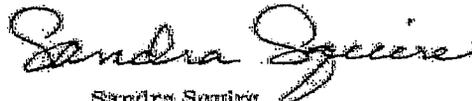
IT IS FURTHER ORDERED that Berkeley County Public Service Sewer District's tariff is modified, and the rates in Appendix A are hereby approved for use.

IT IS FURTHER ORDERED that within thirty (30) days of the date of this order Berkeley County Public Service Sewer District shall file an original and five (5) copies of the approved tariff with the Commission.

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BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
Case No. 06-0026-PSD-CN

STAFF RECOMMENDED TARIFF

APPLICABILITY

Applicable to all customers served by the Berkeley County Public Service Sewer District other than the former customers of Sylvan Grove Waste Treatment, Inc.

AVAILABILITY

Available for general domestic, commercial and industrial service

RATES (Customers with metered water supply)

Service Charge:	\$7.90 per month
Usage Charge:	\$7.60 per 1,000 gallons of water usage

(C) FLAT RATE CHARGE (Customers with non-metered water supply)

Equivalent of 4,500 gallons of water usage, \$42.08 per month.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$350.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is applicable

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

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BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
Case No. 06-0026-PSD-CN

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LEAK ADJUSTMENT

\$0.53 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SURFACE OR GROUND WATER SURCHARGE

An additional amount shall be charged where surface or ground water is introduced into the sanitary system where evidence of a violation exists.

Surcharge formula to be applied in cases where surface drainage is connected to the utility's sewer system.

Applicability

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APPROVED CAPACITY IMPROVEMENT FEES (CIFs)
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Meter Size

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MINIMUM CHARGE

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PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

CASE NO.: 06-0026-PSD-CN

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
Martinsburg, West Virginia

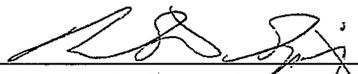
Application for a certificate of convenience and necessity to construct, operate and maintain the North Berkeley Sewer Project, Phase I in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County.

RECEIVED
07 MAR - 1 AM 10:37
W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Commonwealth of Virginia
City of Winchester, to wit:

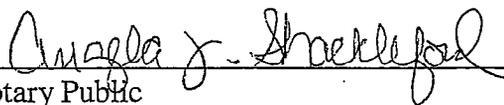
AFFIDAVIT

I, R. Steven Spitzer, CPA, after making an oath of affirmation to tell the truth, based on the information provided to me by Berkeley County Public Service Sewer District and Woolpert, Inc., Consulting Engineer, the rates and charges set forth in Case No. 06-0026-PSD-CN are sufficient to cover the additional debt service in the above styled case. The PSC Staff made rate recommendations including all financial implications of the proposed Project. The Public Service Commission in the above styled case accepted these recommendations and approved the Project therein. The actual bid costs exceeded the Project as proposed. Upon review of the additional information provided regarding the bid overage of \$5,499,900 from RUS and \$447,500 from Tax-Exempt Bonds, for a total aggregate borrowing amount of \$34,573,900, and all the information that has been provided to me, to date, it is my opinion that the rates and charges will be sufficient to provide revenues which, together with other revenues of the system, will allow for me to provide the CPA Certification of the sewer rates as currently approved by the Public Service Commission to allow the Project's financial closing to proceed.



R. Steven Spitzer, CPA
Yount, Hyde & Barbour, P.C.
Winchester, Virginia

This Affidavit was sworn to or affirmed before me this 28th day of February, 2007.
My commission expires 2/28/2010.



Notary Public

Minute Book No. 25 County Commission of Berkeley County, West Virginia

Commission Minutes of Nov. 27, 1979 cont'd

IN RE: CHECKS SIGNED WITH THE PRESIDENTS' STAMP

The following checks were signed with the Presidents' stamp.
Jail Improvement and Operating.....No. 35
Dog Tax Fund.....No. 857 - 858
General Co. Fund.....No. 27339 - 27361

IN RE: ORDER - CREATING BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Commissioner Burkhart moved the Commission sign and record an ORDER creating Berkeley County Public Service Sewer District, and recorded NUNC PRO TUNC. Commissioner Wright seconded. So ordered.

ORDER

Pursuant to the authority vested in the County Commission of Berkeley County, West Virginia, by West Virginia Code, 16-13A-2, the County Commission of Berkeley County, West Virginia, on this 10th day of April, 1979, at 10:30 o'clock a.m. held, pursuant to an Order entered March 2, 1979, by this Commission, and after the prescribed notice, a public hearing on the creation of a public service district for providing sewerage services for Berkeley County, West Virginia.

At this public hearing held this 10th day of April, 1979 all persons residing in or owning or having any interest in property in this proposed public service district had an opportunity to be heard for and against its creation. After hearing all interested persons, the County Commission of Berkeley County considered and determined the feasibility of the creation of this proposed public service district.

Further, the County Commission of Berkeley County, West Virginia, has determined that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement, and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of this area. It is therefore the order of the County Commission of Berkeley County, West Virginia that there be created a public service district for providing sewerage services for Berkeley County, West Virginia with the territory to be embraced by this public service district to be all of Berkeley County, West Virginia. The public service district shall be called the Berkeley County Public Service Sewer District.

This Order shall be effective and entered this 10th day of April, 1979.

County Commission of Berkeley County, West Virginia
S/S by John Evans Wright
Its President

ORDERED Commission Recess to Meet Friday, November 30, 1979 at 9:30 A.M.

John Evans Wright President

November 21, 1979

In Vacation of Court.

IN RE: SYMPATHY EXTENDED TO COMMISSIONER DOWNEY

Commissioners Wright and Burkhart join in extending this heart felt sympathy to Commissioner Harold A. Downey at the time of the loss of his beloved wife Dorothy "Rice" E. Downey and hereby order that the Court House be closed to business from the end of the work day Wednesday, November 23 until the beginning of the work day on Monday, November 26, 1979.

This is done as a expression of respect and sympathy. Also, be it know, Commissioner Downey is excused from the usual Commission activities by reason of necessity during the time of his bereavement.

November 30, 1979

In Vacation of Court.

IN RE: ABSTRACT FROM COMMISSIONER'S ORDERS - SPEED ZONING STUDY

Pursuant to authority vested in the Commissioner by Chapter 17C, Article 6, Section 2, of the Official Code of West Virginia, Director, Traffic Engineering Division, and the concurrence of the Chief Engineer-Development and the State Highway Engineer, hereby ORDERS that the attached summary of the results of a SPEED ZONING STUDY be recorded and County Route 13/1 in BERKELEY COUNTY, DISTRICT FIVE, be signed in accordance with the conclusions thereof. This order shall be effective when appropriate signs giving notice to the public have been erected.

Entered this 15th day of November, 1979.
S/S by Charles L. Miller
West Virginia Commissioner of Highways

- CC
AEX
CH
HD
DT
FJ
District
Five
County
Commission
Dept. of
Public
Safety
WV Motor
Truck Assoc.
Contractors
Assoc. of
WV

STATE OF WEST VIRGINIA, }
COUNTY OF BERKELEY, } TO WIT:

I, JOHN W. SMALL, JR, Clerk of the County Court of Berkeley County,
a Court of record in and for said County and State, do certify that the foregoing is a true, ac-
curate and complete copy of COMMISSION MINUTES OF NOVEMBER 27, 1979

as the same appears of record in the Office of the said Clerk of the County Court in MINUTE
Book No. 25, Page 227

IN WITNESS WHEREOF, I have hereto set my hand and the seal of said court, at my office,
in said County, this 13 TH day of JUNE, ~~XXX~~ 2006

John W. Small
Clerk of the County Court of Berkeley County, W. Va.

A TRUE COPY
ATTEST

John W. Small, Jr., Clerk
Berkeley County Court

By Theresa D. Fairland
Deputy Clerk



County Commission of Berkeley County



126 WEST KING STREET
MARTINSBURG, WEST VIRGINIA 25401
PHONE (304) 264-1923

THE COMMISSION

HOWARD L. STRAUSS, COMMISSIONER
POST OFFICE BOX 1812
MARTINSBURG, WEST VIRGINIA 25402

STEVEN C. TEUFEL, COMMISSIONER
POST OFFICE BOX 1050
MARTINSBURG, WEST VIRGINIA 25402

JOHN E. WRIGHT, COMMISSIONER
POST OFFICE BOX 357
BUNKER HILL, WEST VIRGINIA 25413

www.berkeleycountycomm.org

DEBORAH HAMMOND
COUNTY ADMINISTRATOR

SHERRY A. CAIN
ADMINISTRATIVE SECRETARY

July 8, 2004

John Kunkle
115 Lina Lane
Martinsburg, WV 25401

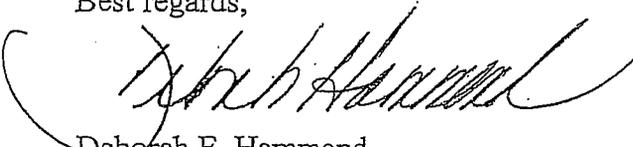
Dear Mr. Kunkle:

The Berkeley County Commission, at its meeting on July 8, 2004 re-appointed you to serve as a member on the Berkeley County Public Service Sewer District Board effective July 1, 2004. Your term will expire on June 30, 2010.

In order to legally serve in this capacity, you must report to the County Clerk's Office in the Berkeley County Courthouse, 100 West King Street, to sign your Oath of Office. Please take this letter to the Courthouse with you for purposes of oath preparation.

If you have any questions or do not wish to serve, please contact me at 264-1923.

Best regards,


Deborah E. Hammond
County Administrator

Doc: kunkle2/ps

Cc: John W. Small, Jr., County Clerk
Charlotte Hollandsworth
Curtis B. Keller, General Manager



County Commission of Berkeley County



126 WEST KING STREET
MARTINSBURG, WEST VIRGINIA 25401
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BUNKER HILL, WEST VIRGINIA 25413

www.berkeleycountycomm.org

DEBORAH HAMMOND
COUNTY ADMINISTRATOR

SHERRY A. CAIN
ADMINISTRATIVE SECRETARY

June 12, 2003

John Myers
2114 Street of Dreams
Martinsburg, WV 25401

Dear Mr. Myers:

The Berkeley County Commission, at its meeting on June 12, 2003 re-appointed you to serve as a member on the Berkeley County Public Service Sewer District effective July 1, 2003. Your term will expire on June 30, 2009.

In order to legally serve in this capacity, you must report to the County Clerk's Office in the Berkeley County Courthouse, 100 West King Street, to sign your Oath of Office. Please take this letter to the Courthouse with you for purposes of oath preparation.

If you have any questions or do not wish to serve, please contact me at 264-1923.

Best regards,

Deborah E. Hammond
County Administrator

Doc: myers/ps

Cc: John W. Small, Jr., County Clerk
Walt Sebert
Robert Grove



County Commission of Berkeley County



400 WEST STEPHEN STREET, SUITE 201
MARTINSBURG, WEST VIRGINIA 25401
PHONE (304) 264-1923

THE COMMISSION

HOWARD L. STRAUSS, COMMISSIONER
STEVEN G. TEUFEL, COMMISSIONER
RONALD K. COLLINS, COMMISSIONER

www.berkeleycountycomm.org

DEBORAH HAMMOND
COUNTY ADMINISTRATOR

SHERRY A. CAIN
ADMINISTRATIVE SECRETARY

June 9, 2005

Ronald Collins
C/o Berkeley County Commission
400 West Stephen Street, Suite 201
Martinsburg, WV 25401

Dear Mr. Collins:

The Berkeley County Commission, at its meeting on June 9, 2005 re-appointed you to serve as a member on the Berkeley County Public Service Sewer District Board effective July 1, 2005. Your new term will expire on June 30, 2011.

In order to legally serve in this capacity, you must report to the County Clerk's Office in the Berkeley County Courthouse, 100 West King Street, to sign your Oath of Office. Please take this letter to the Courthouse with you for purposes of oath preparation.

If you have any questions or do not wish to serve, please contact me at 264-1923.

Best regards,

Deborah E. Hammond
County Administrator

Doc: collins r/ps

Cc: John W. Small, Jr., County Clerk
Charlotte Hollandsworth
Curtis B. Keller

A TRUE COPY
ATTEST

John W. Small, Jr., Clerk
Berkeley County Court

By Deputy Clerk

State of West Virginia,

Berkeley County, Sct.:

Before me, JOHN W. SMALL, JR. Clerk of the Court of the County and State aforesaid,
personally appeared JOHN KUNKLE who
has been duly REAPPOINTED to the office of _____
MEMBER OF THE BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT BOARD

and took and subscribed the following:

I, JOHN KUNKLE do solemnly swear that I will
support the Constitution of the United States and the Constitution of the State of West Virginia.

I, JOHN KUNKLE do solemnly swear that I will
faithfully discharge the duties of the office of _____
MEMBER OF THE BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT BOARD

to the best of my skill and judgment. So help me God.

TERM EXPIRES JUNE 30, 2010

John C. Stahl

Given under my hand this 16 day of July, 2004

John W. Small
Clerk of the County Court of Berkeley County.

State of West Virginia,

Berkeley County, Sct.: 27139

Before me, JOHN W. SMALL, JR. Clerk of the Court of the County and State aforesaid,

personally appeared RONALD COLLINS who

has been duly REAPPOINTED to the office of

MEMBER OF THE BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT BOARD

and took and subscribed the following:

I, RONALD COLLINS do solemnly swear that I will

support the Constitution of the United States and the Constitution of the State of West Virginia.

I, RONALD COLLINS do solemnly swear that I will

faithfully discharge the duties of the office of

MEMBER OF THE BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT BOARD

to the best of my skill and judgment. So help me God.

TERM EXPIRES JUNE 30, 2011

Ronald K Collins

Given under my hand this 17th day of June 20 05

John W. Small, Jr.

Clerk of the County Court of Berkeley County.

RULES OF PROCEDURE

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT.

Section 2. The principal office of this Public Service Sewer District will be located at 65 District Way, Martinsburg, Berkeley County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Berkeley County Public Service Sewer 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 Berkeley 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 meetings on every other Tuesday, 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 Sewer District at the front door or bulletin board of the Berkeley 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 Berkeley 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 29th day of July, 2002.

08/04/03
067740.00010

**BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
65 DISTRICT WAY
MARTINSBURG, WEST VIRGINIA 25404**

**MINUTES OF THE BOARD OF DIRECTORS REGULAR MEETING
JANUARY 9, 2007**

Members Present:

Chairman John C. Kunkle
Treasurer Ronald K. Collins
Secretary John E. Myers

Members Absent:

Staff Members Present:

General Manager Curtis Keller
General Counsel William Rohrbaugh
Chief of Plant Operations Clifton Browning
Chief of Construction John Wood

Others Present:

Cheryl Young Owner, Property owner Exemption from CIF Request
Mike Folk, Property Owner FOIA Request
Jack Meyer, Potomac Portable & Septic, Discontinuation of hauling services
Billy Stanley, Billy's Septic, Discontinuation of hauling services
Mark Smith, Jr., Marks Tank Cleaning, Discontinuation of hauling services
Mike Mauck, Marks Tank cleaning, Discontinuation of hauling services
Brian Frazee, Marks Tank Cleaning, Discontinuation of hauling services
John Powell, Powells Plumbing, Inc., Discontinuation of hauling services

CALL TO ORDER

Chairman John C. Kunkle called the Regular Meeting of the Board of Directors of the Berkeley County Public Service Sewer District to order at 7:04 p.m. Roll call was taken at that time. Chairman John C. Kunkle welcomed everyone to the meeting.

APPROVAL OF AGENDA AND PACKET

Motion made by Treasurer Collins, seconded by Secretary Myers to approve agenda and packet as presented.

Unanimously approved.

ELECTION OF OFFICERS

Motion made by Treasurer Collins, seconded by Secretary Myers to keep the officer's positions the same for the year.

Unanimously approved.

READING, CORRECTION AND APPROVAL OF MINUTES

Motion made by Treasurer Collins, seconded by Secretary Myers to approve the minutes from December 12, 2006.

Unanimously approved.

CITIZEN PARTICIPATION

Cheryl Young requested that her CIF fee be waived and refunded. She bought property in 1990 and paid for a line extension along with four other residents. Everyone hooked up to sewer but them. She is requesting exemption from the fee because she made a contribution to extend the service. Staff explained that the CIF was not related to the cost of the extension and therefore should be paid. Ms. Young, BOD, and staff agreed to send the question regarding the CIF to the PSC for review and recommendations.

Mike Folk presented a FOIA request to the BOD and staff. A copy will be attached to the minutes.

The Berkeley County liquid waste (septage) haulers received letter last Saturday from Spirit Services in Williamsport, MD regarding discontinuation of disposal services to the Berkeley County (out of state) haulers, effective February 1, 2007. This action eliminates the haulers only current outlet for disposal. They were requesting for the District to accept their waste. BOD and staff explained that the District currently is not permitted nor has the adequate facilities to accept their waste. BOD and staff agreed that not having access to a disposal site is a serious problem for the haulers and residents of Berkeley County. Staff stated they would look into what could be done, at least on a temporary basis, to provide a disposal location for the haulers. BOD, staff, and the haulers agreed to discuss the matter again at the BOD meeting on January 23, 2007.

MANAGEMENT REPORTS

Chief of Construction John Wood updated the BOD with the following information:

- Inspections slowed- subdivisions have slowed down. Walmart (Spring Mills) is starting next week.
- Camera Crew- started back with GPS
- Field crew at Howard Speaks – completed one run. One Run is left and manholes will be delivered next week. Will be working on conduit for pump station electric as well.
- Installing surge tank and repairing sand beds at Northwinds
- Working with Contractor on Conduit repair and tree removal at Baker Heights
- Second crew working on taps
- Replaced boards on trailer
- Did some site work at Ecolab

General Counsel William Rohrbaugh updated the BOD with the following information”

- Cheryl Young- Willam Rohrbaugh to send package to PSC on matter

- Commissioner Shaw resigned from PSC
- Two complaints filed regarding water adjustments
- Easements on N. Berkeley- offers will be made pursuant to RPARR. Cost is about \$75,000.00. Request to use LOC for payment.

General Manager Keller updated the BOD with the following information:

- New phone system installation is almost complete. Upgrade should provide improved service and access to District customers.
- CIF Collection Worksheet
- Intent to serve for Altair Farms on Rt. 45 East

PROJECTS

N. BERKELEY

- Bid Overrun by 15%
- Current RUS rate 4.125%. Can get up to \$5 million additional loan money from them at this rate.
- Pump station prices were well over engineer's estimate. RUS will allow us to bid materials as a separate contract. Staff is working with Woolpert to get a package together and see if we can cut some of the costs back with better pricing on the pump station materials.
- Could close on all RUS funding to take advantage of 4.125% interest rate and not use a BAN for construction financing. District would save approximately \$950,000.00 in interest cost over term of loan.
- Proforma on the project costs uses 1000 new customers/year. It provides the District with 128% parity coverage and 105% coverage on additional test required by CIF bonds.

BAKER HEIGHTS WWTP Upgrade

Alvarez has started on site work and demolishing of old tanks. Working on digester excavation and hit conduit for pump station electrical feed. Our crews are working with Alvarez to relocate the power service and tree removal from part of the site.

INWOOD WWTP Upgrade

Alvarez is making good process on the construction. They have completed excavation of the new digester tank and are working on forms and rebar to pour the floor. They have also rerouted the influent line to prepare for excavation of the SBR tanks. Other site work is ongoing as well as work on the blower and chemical buildings.

O/H WWTP FACILITY PLAN UPDATE

General Manager Keller reported that Pentree will have final version of plan to us by end of January.

READING, CORRECTION AND APPROVAL OF FINANCIALS/PAYROLL

Motion made by Treasurer Collins, seconded by Secretary Myers to approve the Accounts Payable.

Unanimously approved.

General Manager Keller requested approval to draw on LOC in the amount of \$62,812.90 to pay Woolpert for engineering services related to the N. Berkeley Project.

Motion made by Treasurer Collins, seconded by Secretary Myers to approve using the LOC to pay Woolpert \$62,812.30.

Unanimously approved.

OLD / NEW BUSINESS

No Old/New Business was discussed.

EXECUTIVE SESSION

No Executive Session was needed.

ADJOURNMENT

Motion made by Treasurer Collins, seconded by Secretary Myers, to adjourn the meeting at p.m. 8:35 p.m.

Unanimously approved.

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 by Secretary Myers and seconded by Treasurer Collins, it was unanimously ordered that said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

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

SUPPLEMENTAL RESOLUTION PROVIDING PARAMETERS AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REVENUE BONDS, SERIES 2007 A (BANK QUALIFIED) OF BERKELEY COUNTY PUBLIC SERVICE SEWER 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; AUTHORIZING THE CHAIRMAN TO SELECT A BOND INSURER FOR THE SERIES 2007 A BONDS AND THE IMPLEMENTATION OF ANY AND ALL COVENANTS AND PROVISIONS REQUIRED AS A CONDITION TO OBTAINING SUCH MUNICIPAL BOND INSURANCE POLICY ON THE SERIES 2007 A BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

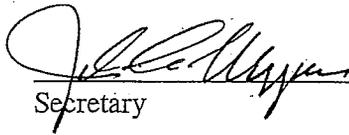
and caused the same to be read and there was discussion. Thereupon, on motion duly made by Treasurer Collins and seconded by Secretary Myers, it was unanimously ordered that said Supplemental Parameters Resolution be adopted and be in full force and effect on and from the date hereof.

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

CERTIFICATION

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

WITNESS my signature on this 6th day of March, 2007.


Secretary

02.26.07
067740.00015



Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.stepToe-johnson.com

Writer's Contact Information

March 6, 2007

Berkeley County Public Service Sewer District (West Virginia)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

Berkeley County Public Service Sewer District
Martinsburg, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Berkeley County Public Service Sewer District (West Virginia) (the "Issuer") of its \$3,970,000 in aggregate principal amount Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A Bonds").

The Series 2007 A 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 February 20, 2006, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on February 20, 2006 (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 Series 2007 A Bonds are issued in fully registered form, are dated March 1, 2007, upon original issuance, mature on March 1 in years and amounts and bear interest payable each March 1 and September 1, commencing September 1, 2007, as follows:

\$3,970,000 Series 2007 A Bonds

Table with 4 columns: Amount, Interest Rate, Maturity Date, and CUSIP Code. Rows include bond details such as \$205,000 4.100% Term Bonds, Due March 1, 2012 at 100.000% CUSIP 084249 BR1.

Berkeley County Public Service Sewer District
Financial Security Assurance Inc.
Crews & Associates, Inc.
March 6, 2007
Page 2

The Series 2007 A 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 Series 2007 A Bonds are issued for the purposes of (i) paying the costs of acquisition and construction of certain additions, betterments and improvements to the System; and (ii) paying the costs of issuance of the Series 2007 A Bonds and other costs in connection with such refunding.

The Series 2007 A Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated February 23, 2007, 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2007 A Bonds (including original issue discount properly allocable to owners of the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds to be includable in gross income retroactive to the date of issuance of the Series 2007 A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2007 A Bonds except as expressly set forth in paragraph 5.

5. Under the Act, the Series 2007 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 2007 A Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

6. The Series 2007 A 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 Series 2007 A Bonds, to register any securities under said Securities Acts.

7. The Series 2007 A 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, on a parity with the Issuer's First Lien Bonds, Parity 2007 Bonds and, senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects, all as more fully defined and described in the Resolution.

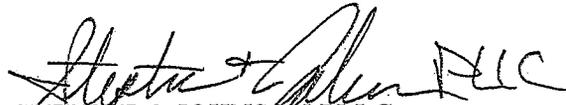
The Issuer has designated the Series 2007 A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2007 A Bonds.

Berkeley County Public Service Sewer District
Financial Security Assurance Inc.
Crews & Associates, Inc.
March 6, 2007
Page 4

It is to be understood that the rights of the holders of the Series 2007 A Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Series 2007 A Bonds, the Resolution, the Continuing Disclosure Agreement, Tax and Non-Arbitrage 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 through AR-6 of said issue, and in our opinion, said Series 2007 A Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,


STEPTOE & JOHNSON PLLC

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Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

March 6, 2007

Berkeley County Public Service Sewer District (West Virginia)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

Berkeley County Public Service Sewer District
Martinsburg, West Virginia 25401

Crews & Associates, Inc.
Charleston, West Virginia 25301

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by Berkeley County Public Service Sewer District (the "District") of its \$3,970,000 aggregate principal amount of Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2007 A Bonds and the exclusion of interest on the Series 2007 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 February 23, 2007, 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 has been authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the District (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally).

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

(3) The District has duly ratified the distribution of the 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 2007 A Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "SECURITY FOR THE SERIES 2007 A BONDS," "THE SERIES 2007 A BONDS," (except for the statements made under the sub-captions "Book-Entry Only System" with respect to The Depository Trust Company), and "FINANCING PLAN," in so far as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Resolution, are complete and accurate and present a fair summary of the matters referred to therein.

(5) The statements contained in the Official Statement under the caption "TAX MATTERS" are true and accurate in all material respects and presents a fair and accurate summary and description of the matters summarized and described under such caption.

(6) The Series 2007 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

March 6, 2007

\$3,970,000

Berkeley County Public Service Sewer District (West Virginia)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

Crews & Associates, Inc.
As the Underwriter named in the
Bond Purchase Agreement dated February 23, 2007,
by and between said Underwriter and
Berkeley County Public Service Sewer District

Berkeley County Public Service Sewer District
Martinsburg, West Virginia

Ladies and Gentlemen:

We have served as bond counsel with respect to the above-referenced bonds (the "Series 2007 A Bonds"). The initial public offering price of the Series 2007 A Bonds maturing in each of the following years on March 1, 2027, and March 1, 2037 (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.

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 which would have accrued for that

Ross, Sinclair & Associates, et al.
March 6, 2007
Page 2

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 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.

The Series 2007 A Bonds maturing on March 1, 2047 ("OIP Bonds"), will be sold with an original issue premium ("OIP"). The original issue premium will be equal to the excess of a holder's tax basis in the OIP Bonds over the amount payable at maturity, or in the case of an OIP bond subject to redemption, the amount payable on the redemption date. Under current law, the original issue premium for an OIP Bond must be amortized on an annual basis by the holder thereof. The amount of original issue premium amortized each year will not be deductible for federal income tax purposes. Further, Section 1016 of the Internal Revenue Code of 1986, as amended, requires that the amount of annual amortization for the OIP Bonds be deducted from the holder's tax basis in such OIP Bonds. This reduction in a holder's tax basis will affect the amount of capital gain or loss to be recognized by the holder when the OIP Bonds are sold or redeemed. Holders of OIP Bonds should consult their tax advisors with respect to the determination and treatment of amortizable original issue premium for federal income tax purposes, and with respect to the state and local tax consequences of owning such OIP Bonds.

Very truly yours,


STEPTOE & JOHNSON PLLC

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March 6, 2007

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

Re: \$3,970,000 Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 2007 A (Bank-Qualified)

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the Berkeley County Public Service Sewer District (the "District") of its Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A Bonds") in the aggregate principal amount of \$3,970,000. In connection with rendering this opinion, we have examined the Official Statement dated February 23, 2007, the Bond Purchase Agreement dated February 23, 2007 (the "Purchase Agreement"), the Continuing Disclosure Agreement dated as of the Closing Date (the "Undertaking"), and Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule. In rendering the foregoing opinion, we have relied as to certain matters on information obtained from officials of the District and other sources believed by us to be responsible and we have assumed that the Undertaking has been duly authorized, executed and delivered by the parties thereto.

The Purchase Agreement has been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery by the other parties to the Purchase Agreement, constitutes a binding agreement in accordance with its terms, of the Underwriter.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the District, counsel for the District, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendix A and Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact

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Crews & Associates, Inc.

March 6, 2007

Page 2

necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in its transcript of closing documents pertaining to the delivery of the Series 2007 A Bonds.

Very truly yours,

A handwritten signature in cursive script that reads "Todd Kelly PLLC". The signature is written in dark ink and is positioned to the right of the typed name "Todd Kelly PLLC".

**BERKELEY COUNTY
PUBLIC SERVICE SEWER DISTRICT**

P.O. BOX 944
Martinsburg, WV 25402
Phone: (304) 263-8566
Fax: (304) 267-7478

Board of Directors:

John C. Kunkle, *Chairman*
John E. Myers, *Secretary*
Ronald K. Collins, *Treasurer*



William F. Rohrbaugh
General Counsel

March 6, 2007

\$3,970,000
Berkeley County Public Service Sewer District (West Virginia)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

Berkeley County Public Service Sewer District
Martinsburg, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I have acted as counsel for Berkeley County Public Service Sewer District (the "District") and have acted as such in connection with the sale of the above-referenced Bonds (the "Series 2007 A Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of February 23, 2007 (the "Purchase Agreement") between Crews & Associates, Inc. (the "Underwriter") and the District. Any capitalized term used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2007 A Bonds, any such records, certificates and other documents as I 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 (collectively, the "Act"), the Resolution of the District relating to the Series 2007 A Bonds adopted on February 20, 2007, as supplemented by a Supplemental Parameters Resolution adopted February 20, 2007 (collectively, the "Resolution"), the Continuing Disclosure Agreement (the "Undertaking"), the Purchase Agreement, the Official Statement dated February 23, 2007, with respect to the issuance and offering of the Series 2007 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 I believe to be relevant, I am of the opinion that:

1. The District is a public service sewer district and a public corporation and political subdivision of the State of West Virginia. The District is authorized by the laws of the State of West Virginia, as provided by the Act, to issue the Series 2007 A Bonds, enter into and perform its obligations under the Resolution, the Undertaking and the Purchase Agreement.

2. The District has full power and authority to consummate all transactions contemplated by the Series 2007 A Bonds, the Purchase Agreement, the Undertaking 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 for (i) the acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the District and the issuance and delivery of the Series 2007 A Bonds upon the terms set forth in the Resolution; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Undertaking and the Purchase Agreement 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.

5. The Resolution has been duly adopted at meetings of the governing body (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.

6. The execution and delivery by the District of the Undertaking and the Purchase Agreement and the performance of its obligations 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 my 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.

7. 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 Purchase Agreement or as described in the Official Statement.

8. The District is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the District.

9. No litigation is pending, or to my knowledge, threatened in any court in any way affecting the existence of the District or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Series 2007 A Bonds, or the collection of revenues and assets of the District pledged or to be pledged to pay the principal of and interest

on the Series 2007 A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2007 A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2007 A Bonds, the Resolution or the Purchase Agreement, or contesting the powers of the State with respect to the Series 2007 A Bonds, the Resolution or the Purchase Agreement or any transaction described in or contemplated by the Official Statement.

10. All approvals, consents, authorizations, resolutions and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the District of its obligations under the Resolution, the Series 2007 A Bonds or the Purchase Agreement, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2007 A Bonds, as to which no opinion is hereby expressed.

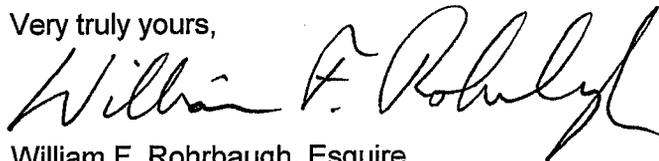
11. The Resolution creates a legally valid and binding pledge of, and lien and charge upon, the security, for payment of the principal of, premium, if any, and interest on the Series 2007 A Bonds as the same become due and for the other purposes provided in the Resolution, subject only to the provisions of the Resolution permitting application thereof on the terms and conditions set forth in the Resolution.

12. The Official Statement, as amended or supplemented to the date of Closing contains no untrue statement regarding the District of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein regarding the District, in light of the circumstances under which they were made, not misleading.

13. The statements contained in the Official Statement under the caption, "FINANCING PLAN" and "APPENDIX B - The District and the System," insofar as such statements contained under such caption purport to summarize certain matters set forth therein and certain provisions of the Resolution, are complete and accurate and present a fair summary of the matters referred to therein.

I hereby consent to the references made to me in the Official Statement.

Very truly yours,



William F. Rohrbaugh, Esquire

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)

Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. PUBLIC SERVICE COMMISSION APPROVAL
5. LAND AND RIGHTS OF WAY
6. CONTRACTORS' INSURANCE, ETC.
7. AWARD OF Series 2007 A BONDS; SIGNATURES
8. DELIVERY AND PAYMENT
9. CERTIFICATION OF DOCUMENTS
10. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
11. MEETINGS, ETC.
12. INCUMBENCY AND OFFICIAL NAME
13. RATES
14. OFFICIAL STATEMENT CERTIFICATION
15. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 6(c)(vi) AND SECTION 6(c)(xi);
16. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK
17. PRIVATE USE OF FACILITIES
18. NO FEDERAL GUARANTY
19. IRS INFORMATION RETURN
20. SPECIMEN SERIES 2007 A BONDS
21. RELIANCE OF BOND COUNSEL AND BOND INSURER
22. USE OF SERIES 2007 A BOND PROCEEDS
23. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of Berkeley County Public Service Sewer District, West Virginia (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify, on this the 6th day of March, 2007, in connection with the \$3,970,000 aggregate principal amount of the Berkeley County Public Service Sewer District (West Virginia) Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A 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 February 20, 2007, as supplemented by a

supplemental parameters resolution duly adopted February 20, 2007 (collectively, the "Bond Legislation"), and the Bond Purchase Agreement dated February 23, 2007 (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 Series 2007 A 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 Series 2007 A Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2007 A Bonds, nor in any manner affecting the validity or enforceability of the Series 2007 A Bonds, the Bond Legislation, the Undertaking, Agreement 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 Series 2007 A 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 Series 2007 A Bonds which are not set forth in the Official Statement relating to the Series 2007 A Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for acquisition and construction of the Project, operation of the System and issuance of the Series 2007 A Bonds have been obtained, or will be obtained prior to construction, and, to the extent such approvals and certificates have been obtained as of the date hereof, remain in full force and effect. Competitive bids for construction of the Project will be solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended.

4. PUBLIC SERVICE COMMISSION APPROVAL: The Public Service Commission of West Virginia has approved the acquisition and construction of the Project and the issuance of the Series 2007 A Bonds by Commission Orders dated September 14, 2006, and February 15, 2007, in Case No. 06-0026-PSD-CN. The time for appeal of such Commission Orders have expired prior to the date hereof.

5. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Series 2007 A Bonds.

6. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, with commercially reasonable limits. All insurance for the System required by the Ordinance is in full force and effect. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are available at reasonable cost.

7. AWARD OF SERIES 2007 A BONDS; SIGNATURES: The Series 2007 A Bonds were awarded to Crews & Associates, Inc. (the "Underwriter") pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of \$3,893,514.45 (representing par value less an Underwriter's discount of \$79,400, plus a net original issue premium of \$2,914.45) plus accrued interest from March 1, 2007 to March 6, 2007 in the amount of \$2,613.28.

As of the date hereof, the Series 2007 A 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.

8. DELIVERY AND PAYMENT: The undersigned Chairman did, on the date hereof, deliver to the Underwriter, the entire issue of the Series 2007 A Bonds, in various denominations and numbered AR-1 to AR-6, inclusive. At the time of delivery of the Series 2007 A Bonds, there was paid to the Issuer (or others, on behalf of the Issuer) the agreed price therefor as follows:

Par Amount	\$ 3,970,000.00
Less: Underwriter's Discount	\$(79,400.00)
Plus: Net Original Issue Premium	\$ 2,914.45
Accrued Interest From March 1 to March 6	<u>\$ 2,613.28</u>
Total	<u>\$3,896,127.73</u>

9. 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 Parameters Resolution

Certificate of Determinations

Public Service Commission Orders

County Commission Orders Relating to Creation of District and Approval of Public Service Commission

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Current Year Organizational Meeting

Excerpt of Minutes on Adoption of Bond Resolution and Supplemental Resolution

Official Statement

Bond Purchase Agreement

Continuing Disclosure Agreement

Consent of West Virginia Water Development Authority

10. 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 February 21, 2007. There are outstanding obligations of the Issuer, (hereinafter collectively, the "Prior Bonds") which are designated and have the lien positions with respect to the Net Revenues of the sewerage system of the Issuer as follows:

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<u>Designation</u>	<u>Lien Position</u>
1. Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, issued in the original aggregate principal amount of \$1,638,194 (the "Series 1986 B Bonds")	First Lien
2. Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, issued in the original aggregate principal amount of \$828,629 (the "Series 1990 A Bonds")	First Lien
3. Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), dated October 5, 1994, issued in the original aggregate principal amount of \$494,288 (the "Series 1994 A Bonds")	First Lien
4. Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), dated November 17, 1994, issued in the original aggregate principal amount of \$2,772,879 (the "Series 1994 C Bonds")	First Lien
5. Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated February 9, 1995, issued in the original aggregate principal amount of \$3,837,640 (the "Series 1995 A Bonds")	First Lien
6. Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), dated December 29, 1995, issued in the original aggregate principal amount of \$2,138,506 (the "Series 1995 B Bonds")	First Lien
7. Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), dated February 13, 1996, issued in the original aggregate principal amount of \$319,902 (the "Series 1996 A Bonds")	First Lien
8. Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$2,628,633 (the "Series 1996 B Bonds")	First Lien

<u>Designation</u>	<u>Lien Position</u>
9. Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program), dated May 1, 1996, issued in the original aggregate principal amount of \$837,579 (the "Series 1996 C Bonds")	First Lien
10. Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program), dated June 12, 1997, issued in the original aggregate principal amount of \$148,000 (the "Series 1997 A Bonds")	First Lien
11. Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated December 11, 1997, issued in the original aggregate principal amount of \$1,250,000 (the "Series 1997 B Bonds")	First Lien
12. Sewer Revenue Bonds, Series 1999 A (West Virginia SRF Program), dated October 28, 1999, issued in the original aggregate principal amount of \$30,707,296 (the "Series 1999 A Bonds")	First Lien
13. Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated May 25, 2000, issued in the original aggregate principal amount of \$937,500 (the "Series 2000 A Bonds")	First Lien
14. Sewer Revenue Bonds, Series 2001 A (West Virginia Infrastructure Fund), dated March 30, 2001, issued in the original aggregate principal amount of \$429,000 (the "Series 2001 A Bonds")	First Lien
15. Sewer Revenue Bonds, Series 2001 B (West Virginia SRF Program), dated August 7, 2001, issued in the original aggregate principal amount of \$2,909,850 (the "Series 2001 B Bonds")	First Lien

	<u>Designation</u>	<u>Lien Position</u>
16.	Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program), dated May 9, 2002, issued in the original aggregate principal amount of \$750,000 (the "Series 2002 A Bonds")	First Lien
17.	Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), dated July 11, 2002, issued in the original aggregate principal amount of \$456,548 (the "Series 2002 B Bonds")	First Lien
18.	Sewer Revenue Bonds, Series 2002 C (West Virginia SRF Program), dated August 28, 2002, issued in the original aggregate principal amount of \$30,500,000 (the "Series 2002 C Bonds")	First Lien
19.	Sewer Revenue Bonds, Series 2002 D (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$4,965,465 (the "Series 2002 D Bonds")	First Lien
20.	Sewer Revenue Bonds, Series 2002 E (West Virginia Water Development Authority), dated August 28, 2002, issued in the original aggregate principal amount of \$560,822 (the "Series 2002 E Bonds")	First Lien
21.	Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$252,922 (the "Series 2003 A Bonds")	First Lien
22.	Sewer Revenue Bonds, Series 2003 B (West Virginia SRF Program), dated August 14, 2003, issued in the original aggregate principal amount of \$330,862 (the "Series 2003 B Bonds")	First Lien

	<u>Designation</u>	<u>Lien Position</u>
23.	Sewer Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund), dated November 30, 2004, issued in the original aggregate principal amount of \$1,999,600 (the "Series 2004 A Bonds")	First Lien
24.	Sewer Refunding Revenue Bonds, Series 2006 A (Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$3,665,000 (the "Series 2006 A Bonds")	First Lien
25.	Sewer Refunding Revenue Bonds, Series 2006 B (Non Bank-Qualified), dated October 1, 2006, issued in the original aggregate principal amount of \$240,000 (the "Series 2006 B Bonds")	First Lien
26.	Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, issued in the original aggregate principal amount of \$38,669 (the "Series 1990 B Bonds")	Second Lien

The Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds, and the Series 2006 B Bonds hereinafter collectively called the "First Lien Bonds"; and the Series 1990 B Bonds are hereinafter called the "Second Lien Bonds." The First Lien Bonds and the Second Lien Bonds are hereinafter collectively called the "Prior Bonds."

The Issuer also has outstanding its Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued in the aggregate principal amount of \$15,405,000 (the "CIF Bonds"). The CIF Bonds will be repaid solely from and will be secured solely by the Capacity Improvement Fees of the Issuer and the Surplus Revenues of the System (all as more clearly hereinafter defined and described) and WILL NOT BE PAYABLE FROM OR SECURED BY THE NET REVENUES OF THE SYSTEM.

The Issuer is issuing the Sewer Revenue Bonds, Series 2007 B, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 B Bonds"), Sewer Revenue Bonds, Series 2007 C, dated March 6, 2007, issued in the original aggregate principal amount of \$9,000,000 (the "Series 2007 C Bonds"), Sewer Revenue Bonds, Series 2007 D, dated March 6, 2007, issued in the original aggregate principal amount of \$7,104,000 (the "Series 2007 D Bonds"), Sewer Revenue Bonds, Series 2007 E, dated March 6, 2007, issued in the original aggregate principal amount of \$500,000 (the "Series 2007 E Bonds"), and Sewer Revenue Bonds, Series 2007 F, dated March 6, 2007, issued in the original aggregate principal amount of \$4,999,900 (the "Series 2007 F Bonds") simultaneously herewith. The Series 2007 B Bonds, Series 2007 C Bonds, Series 2007 D Bonds, Series 2007 E Bonds and Series 2007 F Bonds are hereinafter collectively referred to as the "Parity 2007 Bonds". The Parity 2007 Bonds are being issued on a parity with the Series 2007 A Bonds, the First Lien Bonds and senior and prior to the Second Lien Bonds.

The Series 2007 A Bonds shall be issued on a parity with the First Lien Bonds and the Parity 2007 Bonds, and senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer has met the coverage and parity requirements for issuance of parity bonds of the First Lien Bonds and the resolutions authorizing the First Lien Bonds and has substantially complied with all other parity requirements. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Lien Bonds are met, the written consent of the Holders of the First Lien Bonds to the issuance of the Series 2007 A Bonds on a parity with the First Lien Bonds and the written consent of the Holders of the Second Lien Bonds to the issuance of the Series 2007 A Bonds on a senior and prior basis to the Second Lien Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

11. 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 Series 2007 A 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.

12. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Berkeley County Public Service Sewer District." The Issuer is a public service sewer district and public corporation duly created by The County Commission of Berkeley County and presently existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board, consisting of 3 duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
John C. Kunkle	07/01/04	06/30/2010
John E. Myers	07/01/03	06/30/2009
Ronald C. Collins	07/01/05	06/30/2011

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2007 are as follows:

Chairman	-	John C. Kunkle
Secretary	-	John E. Myers
Treasurer	-	Ronald K. Collins

The duly appointed and acting counsel to Issuer is William F. Rohrbaugh, Esquire of Martinsburg, West Virginia.

13. RATES: The rates for the System, as approved by the Public Service Commission of West Virginia, by Commission Orders entered on September 14, 2006 and February 15, 2007, in Case No. 06-0026-PSD-CN, are in full force and effect.

14. 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.

15. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 6(c)(vi) AND SECTION 6(c)(xi): In addition to the foregoing, the undersigned hereby certify, as of the date hereof, that: (i) the Issuer has duly performed all of its obligations to be performed at or prior to the Closing and that each of its representations and warranties contained in the Bond Purchase Agreement are true as of the Closing, (ii) the Issuer has authorized, by all necessary action, the acquisition and construction of the Project,

the execution, delivery, receipt and due performance of the Series 2007 A Bonds, the Bond Legislation, the Undertaking, 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, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to our knowledge no litigation is pending, or to our knowledge threatened, to restrain or enjoin the collection of the Net Revenues, the pledge of the Net Revenues to the Bonds, the issuance or sale of the Series 2007 A Bonds or in any way affecting any authority for or the validity of the Series 2007 A Bonds (iv) the execution, delivery, receipt and due performance of the Series 2007 A Bonds, the Bond Legislation, the Undertaking and the other agreements contemplated by the Bond Purchase Agreement and by the Official Statement under the circumstances contemplated thereby and the Issuer's compliance with the provisions thereof will not conflict with or constitute on its part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which it is subject or by which it is or may be bound, (v) the Issue is in compliance with all covenants in its outstanding resolution which authorized bonds secured by the Net Revenues of the System, and (vi) the Issuer is obligated by the Undertaking established in the Continuing Disclosure Agreement and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5).

16. 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, Charleston, West Virginia, as Paying Agent and Susquehanna Bank, Martinsburg, West Virginia as Depository Bank.

17. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Series 2007 A Bonds and the interest thereon. Less than 10% of the proceeds of the Series 2007 A Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or 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. None of the proceeds of the Series 2007 A Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Series 2007 A Bonds, including the disproportionate related business use of the proceeds of the Series 2007 A Bonds, and none of the payment of principal of or interest on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or 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 with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Series 2007 A Bonds. None of the proceeds of the issue of the Series 2007 A Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit, other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder.

18. NO FEDERAL GUARANTY: The Series 2007 A Bonds are not, in whole or part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

19. IRS INFORMATION RETURN: On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G for the Series 2007 A Bonds 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.

20. SPECIMEN SERIES 2007 A BONDS: Delivered concurrently herewith are true and accurate specimens of the Series 2007 A Bonds.

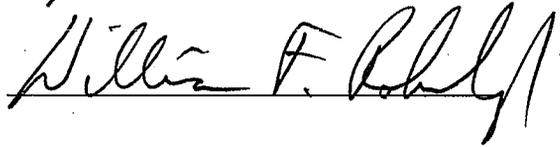
21. RELIANCE OF BOND COUNSEL: The undersigned acknowledge that it is intended that interest on the Series 2007 A Bonds be exempt from federal income tax in the hands of the owners thereof, that the firm of Steptoe & Johnson PLLC is rendering opinions on the date hereof to said effect and with respect 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.

22. USE OF SERIES 2007 A BOND PROCEEDS: The proceeds of the Series 2007 A Bonds will be used to pay, in part, costs of acquisition and construction of the Project, and to pay costs of issuance of the Series 2007 A Bonds and other costs in connection with the issuance of the Series 2007 A Bonds.

23. EXECUTION OF 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 BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT on the day and year first written above.

[CORPORATE SEAL]

<u>Signature</u>	<u>Official Title</u>
 _____	Chairman
 _____	Secretary
 _____	Attorney

02.26.07
067740.00015

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)

Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

TAX AND NON-ARBITRAGE CERTIFICATE

The undersigned, Chairman of Berkeley County Public Service Sewer District (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of the \$3,970,000 Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A Bonds"), of the Issuer, dated March 1, 2007 (the "Series 2007 A 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 February 20, 2007, as supplemented (collectively, the "Resolution"), pursuant to which the Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds and the exclusion of interest on the Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds.

"**Costs of Issuance**" means all costs incurred in connection with the issuance of the Series 2007 A Bonds within the meaning of Section 147(g) of the Code. Examples of costs of issuance include (but are not limited to):

(a) underwriters' spread (whether realized directly or derived through purchase of the Series 2007 A Bonds at a discount below the price at which a substantial number of Series 2007 A Bonds are sold to the public);

(b) counsel fees (including Bond Counsel, Underwriters' Counsel, Issuer's Counsel, Insurance Company's Counsel, and any other specialized counsel fees incurred in connection with the issuance of the Series 2007 A Bonds);

(c) financial advisor fees incurred in connection with the issuance of the Series 2007 A Bonds;

(d) trustee fees and registrar fees;

(e) paying agent, disbursement agent, and certifying and authenticating agent fees related to issuance of the Series 2007 A Bonds;

(f) accountant fees related to issuance of the Series 2007 A Bonds;

(g) printing costs (for the Series 2007 A Bonds and of preliminary and final offering materials); and

(h) 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 March 1, 2007.

"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 Series 2007 A 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 \$3,975,527.73 being the initial offering price to the public at which price a substantial amount of the Series 2007 A Bonds is sold, and includes accrued interest on the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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:

$$PV = \frac{FV}{\dots}$$

$$(1 + i)^n$$

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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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.

"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 Prior Bonds and are treated as Transferred Proceeds of the Series 2007 A Bonds.

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

"Universal Cap" means the maximum value of Nonpurpose Investments which may be allocated to the Series 2007 A Bonds under section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 March 6, 2007, the date on which the Series 2007 A 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 Series 2007 A Bonds which would cause the Series 2007 A 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 Series 2007 A Bonds) so that the interest on the Series 2007 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.

6. The Series 2007 A Bonds were sold on March 1, 2007, to the Underwriter for a purchase price of \$3,893,514.45 (representing par value less an Underwriter's discount of \$79,400, plus a net original issue premium of \$2,914.45) plus accrued interest from March 1, 2007 to March 6, 2007 in the amount of \$2,613.28.

7. The Series 2007 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the System; and (ii) to pay certain costs of issuance of the Series 2007 A Bonds and related costs.

8. [RESERVED].

9. The face amount of the Series 2007 A Bonds is \$3,970,000. The sources and uses of proceeds of the Series 2007 A Bonds is as follows:

Sources of Funds

Par Amount of Series 2007 A Bonds	\$3,970,000.00
PLUS: Net Original issue Premium	\$ 2,914.45
Accrued Interest (March 1 to March 6)	\$ 2,613.28
TOTAL	\$3,975,527.73

10. The proceeds of sale of the Series 2007 A Bonds will be applied as follows:

Uses of Funds

Series 2007 A Bonds Construction Fund	\$3,852,906
Underwriter's Discount	\$ 79,400
Deposit to Series 2007 A Bonds Sinking Fund	\$ 2,613.28
Deposit to Cost of Issuance Fund*	\$40,608.45
TOTAL	\$3,975,527.73

* Includes: Professional Fees Associated with the Issuance of the Series 2007 A Bonds.

The Issuer is also issuing its Sewer Revenue Bonds, Series 2007 B, Sewer Revenue Bonds, Series 2007 C, Sewer Revenue Bonds, Series 2007 D, Sewer Revenue Bonds, Series 2007 E

and Sewer Revenue Bonds, Series 2007 F (collectively, the "Parity 2007 Bonds") to pay the costs of the Project. The total aggregate face amount of the Parity 2007 Bonds is \$30,603,900. The sources and uses of proceeds of the Parity 2007 Bonds is as follows:

Sources of Funds

Series 2007 B Bonds	\$9,000,000.00
Series 2007 C Bonds	9,000,000.00
Series 2007 D Bonds	7,104,000.00
Series 2007 E Bonds	500,000.00
Series 2007 F Bonds	<u>4,999,900.00</u>
Total Sources	<u>\$30,603,900.00</u>

Uses of Funds

Deposit to the Parity 2007 Bonds Construction Trust Fund	\$28,990,900.00
Capitalized Interest	1,563,000.00
Costs of Issuance*	<u>50,000.00</u>
Total Uses	<u>\$30,603,900.00</u>

*Includes legal and financing fees, printing costs, rating fees and other miscellaneous expenses relating to the issuance of the Parity 2007 Bonds.

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 Series 2007 A 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 Series 2007 A Bonds. The yield on the Series 2007 A Bonds, as so computed, has been determined to be 4.8064600%, based on a "purchase price" equal to the Issue Price for the Series 2007 A Bonds (including accrued interest thereon).

C. THE SERIES 2007 A BONDS

1. The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Series 2007 A Bonds are detailed in the Series 2007 A Bonds.

2. Using the initial offering price of the Series 2007 A Bonds as the "purchase price" and taking into account accrued interest the yield on the Series 2007 A Bonds is computed by the Underwriter to be 4.80646% (the "Bond Yield").

3. A Sinking Fund for the Series 2007 A Bonds is created under the Resolution. Monies deposited in the Sinking Fund, 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 Series 2007 A Bonds. The Series 2007 A Bonds all bear interest at a fixed interest rate and the average maturity of the Series 2007 A 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 Series 2007 A Bonds within each Bond Year. All monies held in the Sinking Fund will be used to pay debt service on the Series 2007 A Bonds. All Sale Proceeds of the Series 2007 A Bonds deposited in the Sinking Fund, if any, will constitute accrued interest on the Series 2007 A Bonds and will be applied to pay interest on the Series 2007 A Bonds on the first interest payment date, being September 1, 2007. 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.

4. A Reserve Account is created under the Resolution for the Series 2007 A Bonds in an aggregate amount equal to 125% of the Average Annual Debt Service on the Series 2007 A Bonds (the "Reserve Account Requirement"). The Issuer has created the Series 2007 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2007 A Bonds Reserve Account Requirement has been met. The Reserve Account Requirement is equal to 125% of the average annual principal and interest requirements of the Series 2007 A Bonds, is not in excess of 10% of the stated principal amount of the Series 2007 A Bonds and is not in excess of the maximum annual principal and interest requirements of the Series 2007 A Bonds. The monies in the Reserve Accounts will be invested without restriction as to yield. All earnings on amounts deposited in the Reserve Accounts will, to the extent the yield thereon exceeds the yield on the Series 2007 A Bonds, be subject to rebate.

5. A Renewal and Replacement Fund created under the Prior Resolutions is continued, 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 Series 2007 A 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 Series 2007 A Bonds. Such monies will be invested without restriction as to yield and are not subject to rebate.

6. A Redemption Account for the Series 2007 A Bonds 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 Series 2007 A Bonds, be subject to rebate. Otherwise, they will be invested without restriction

as to yield and are not subject to rebate.

7. A Costs of Issuance Fund is created under the Resolution to be funded from proceeds of the Series 2007 A Bonds in the amount of \$40,608.45, to pay costs of issuance of the Series 2007 A 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.

8. A Construction Fund is created under the Resolution to be funded only from remaining proceeds of the Series 2007 A Bonds to pay costs of the Project. All such amounts shall be fully expended within 3 years from the date hereof. Pending such disbursement, such monies will be invested without restriction as to yield and are not subject to rebate. Work with respect to the acquisition and construction of the Project will commence shortly and will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within ___ years. All proceeds of the Series 2007 A Bonds designated for the Project will be expended within 3 years from the date of issuance thereof. The Project will be operated solely for a public purpose as a local governmental activity of the Issuer. The Issuer expects no part of the Project financed by proceeds of the Series 2007 A Bonds will be sold or otherwise disposed of prior to the last maturity date of the Series 2007 A Bonds. None of the proceeds of the Series 2007 A Bonds will be used to reimburse the Issuer for costs of the Project previously incurred and paid by the Issuer with its own funds.

Except for the proceeds of the Series 2007 A Bonds and the Parity 2007 Bonds, as defined in the Resolution, 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 Series 2007 A Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Series 2007 A 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 Series 2007 A Bonds or to the governmental purpose of the Series 2007 A Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Series 2007 A Bonds were not used or to be used for that governmental purpose.

9. 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 Series 2007 A Bonds or which are pledged as collateral to secure repayment of Debt Service on the Series 2007 A Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Series 2007 A Bonds.

10. Accrued interest, if any, with respect to the Series 2007 A Bonds in an amount less than 6 month's interest on the Series 2007 A Bonds may be applied within one year from the date hereof toward the payment of interest first due on the Series 2007 A Bonds, as detailed in the Schedules. Pending such disbursement, such monies, if any, 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 Funds, the Reserve Accounts 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 Accounts, (ii) Transferred Proceeds of the Series 2007 A 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 Series 2007 A Bonds as required by the Code and Regulations. If the Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds. In addition, where Nonpurpose Investments are retained by the Bond Commission after retirement of the Series 2007 A Bonds, any

unrealized gains or losses as of the date of retirement of the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds to each such Computation Date) by any appropriate method provided in the Code and Regulations that is applicable to the Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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, Philadelphia, Pennsylvania 19255. Each payment shall be accompanied by (i) a copy of IRS Form 8038-T, and (ii) the CUSIP number for the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds.

F. MISCELLANEOUS

1. The amount designated as "Cost of Issuance" of the Series 2007 A Bonds consists only of costs which are directly related to and necessary for the issuance of the Series 2007 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds solely to fund a Reserve Account for the Series 2007 A Bonds; to pay the costs of acquisition and construction of the Project; and to pay costs of issuance thereof.

6. The Issuer shall not permit at any time or times any of the proceeds of the Series 2007 A 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 Series 2007 A Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds.

12. In connection with the Series 2007 A 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 Series 2007 A Bonds or any contract securing the Series 2007 A 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 Series 2007 A Bonds.

13. The Series 2007 A 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. Except for the Parity 2007 Bonds, 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 Series 2007 A Bonds or which will be paid directly or indirectly from proceeds of the sale of the Series 2007 A Bonds.

15. Gross Proceeds of the Series 2007 A Bonds, other than gross proceeds that are allocable to:

(A) the payment of the Costs of Issuance of the Series 2007 A Bonds;

(B) the payment of administrative costs allocable to carrying and repaying the Series 2007 A Bonds, or the reasonable investments of Proceeds of the Series 2007 A Bonds;

(C) amounts deposited in the Sinking Fund (including investment earnings thereon) to pay debt service on the Series 2007 A Bonds, if any; and

(D) qualified guarantee fees (within the meaning of the Regulations) for the Series 2007 A Bonds;

will not exceed 1% of the Sale Proceeds from the Series 2007 A Bonds.

16. The issuance of the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds from the gross income of the holders thereof.

20. The Issuer shall comply with all yield restrictions on Series 2007 A 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 Series 2007 A 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 Series 2007 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 the Resolution.

22. The Series 2007 A Bonds are a fixed yield issue. No interest or other amount payable on any of the Series 2007 A 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 Series 2007 A Bonds.

24. Pursuant to Section 265(b)(3)(D)(ii) of the Code, the Series 2007 A A Bonds shall be treated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code and shall be deemed so designated as the Series 2007 A A Bonds and the issue of which they are a part satisfy the requirements set forth in Section 265(b)(3)(D)(ii) 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 Series 2007 A 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 Series 2007 A 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 6th day of March, 2007.

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT

By: 
Its: Chairman

EXHIBIT A

UNDERWRITER'S CERTIFICATE

[Included in Transcript as Document No. 20]

EXHIBIT B

IRS FORM 8038-G

[Included in Transcript as Document No. 32]

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)

Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

REGISTRAR'S CERTIFICATE

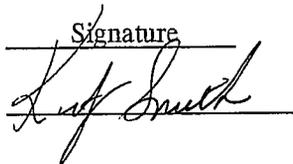
United Bank, Inc., Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows, all capitalized terms used herein to have the same meanings set forth in the Resolution of Berkeley County Public Service Sewer District (the "Issuer") adopted February 20, 2007, as supplemented (collectively, the "Resolution"):

1. The Bank is a state banking company duly organized, validly existing, and in good standing under the laws of the United States of America, may lawfully conduct business in 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.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Kathy Smith	Senior Vice President	

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 6th day of March, 2007.

UNITED BANK, INC.

By: 
Its: Authorized Officer

02.26.07
067740.00015

EXHIBIT A

SERIES 2007 A BOND TERMS

\$3,970,000 Series 2007 A Bonds

\$205,000	4.100%Term Bonds, Due March 1, 2012 at	100.000%	CUSIP	084249 BR1
\$250,000	4.300%Term Bonds, Due March 1, 2017 at	100.000%	CUSIP	084249 BS9
\$305,000	4.500%Term Bonds, Due March 1, 2022 at	100.000%	CUSIP	084249 BT7
\$385,000	4.625%Term Bonds, Due March 1, 2027 at	99.418%	CUSIP	084249 BU4
\$1,080,000	4.650%Term Bonds, Due March 1, 2037 at	97.939%	CUSIP	084249 BV2
\$1,745,000	5.000%Term Bonds, Due March 1, 2047 at	101.571%	CUSIP	084249 BW0

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

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 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 February 23, 2007, by and between Berkeley County Public Service Sewer District (the "Issuer") and the Underwriter, at prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated February 23, 2007 relating to the Bonds. We have made a bona fide public offering of all Bonds at the public offering price.

(b) At least 10% of each maturity of the Bonds were sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than the respective prices shown on the cover of the Official Statement. 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 yields less than the yields, shown on the cover of the Official Statement.

(c) The weighted average maturity of the Series 2007 A Bonds is 26.297 years.

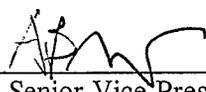
(d) The yield on the Series 2007 A Bonds is 4.8064600%.

(e) The net interest cost on the Series 2007 A Bonds is 4.8231694%.

(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 Series 2007 A Bonds, and by Steptoe & Johnson PLLC in rendering their tax opinion with respect to the Series 2007 A.

Dated this 6th day of March, 2007.

CREWS & ASSOCIATES, INC.

By:  _____
Its: Senior Vice President

02.26.07
067740.00015



Certified Public Accountants
and Consultants

March 6, 2007

Berkeley County Public Service Sewer District
Sewer Refunding Revenue Bonds, Series 2007 A
(Crews & Associates, Inc.)

and

Sewer Refunding Revenue Bonds, Series 2007 B,
Sewer Revenue Bonds, Series 2007 C,
Sewer Revenue Bonds, Series 2007 D,
Sewer Revenue Bonds, Series 2007 E and
Sewer Revenue Bonds, Series 2007 F
(United States Department of Agriculture)

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure & Jobs Development Council
Charleston, West Virginia

Berkeley County Public Service Sewer District
Martinsburg, West Virginia

West Virginia Department of Environmental Protection
Charleston, West Virginia

United States Department of Agriculture
Elkins, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Commission Orders of the Public Service Commission of West Virginia, entered September 14, 2006, and February 15, 2007, in Case No.06-0026-PSD-CN, projected operation and maintenance expenses and anticipated customer usage as furnished to us by Berkeley County Public Service Sewer District (the "Issuer"), it is our opinion that the Gross Revenues will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all operating expenses of the System and leave a balance each year equal to at least 115% of the annual amount required in each year for debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 2007 A (Crews & Associates, Inc.) and Sewer Refunding Revenue Bonds, Series 2007 B, Sewer Revenue Bonds, Series 2007 C, Sewer Revenue Bonds, Series 2007 D, Sewer Revenue Bonds, Series 2007 E and Sewer Revenue Bonds, Series 2007 F (United States Department of Agriculture) (collectively, the "Series 2007 Bonds"), and all other obligations secured by or payable from the Net Revenues of the System, on a parity with or junior to the Series 2007 Bonds, including all Prior Bonds of the Issuer as defined and described in the Bond Resolution of the Issuer adopted on February 20, 2007, authorizing the Series 2007 Bonds.

50 South Cameron Street
P.O. Box 2560
Winchester, VA 22604
(540) 662-3417
FAX (540) 662-4211

Offices located in: Winchester, Middleburg, Leesburg, Culpeper, and Richmond, Virginia.
Member: American Institute of Certified Public Accountants / Virginia Society of Certified Public Accountants

It is our further opinion that the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2007 Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the issuance of the Series 2007 Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Prior Bonds and the Series 2007 Bonds.

It is also our further opinion that the current schedule of rates and charges are sufficient to generate revenues equal to 100% of the annual payment of principal of and interest on all obligations payable from the Net Revenues, including but not limited to the Sewer Net Revenue Bonds and the Subordinate Sewer Net Revenue Bonds, and the Series 2006 A CIF Bonds and any obligations on a parity with the Series 2006 A CIF Bonds.

All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Resolution of the Issuer adopted on February 20, 2007, as supplemented.

Very truly yours,

Yount, Hyde & Barbour, P.C.

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
Sewer Revenue Bonds, Series 2007 A (Bank-Qualified)

CERTIFICATE OF ENGINEERS

I, Steven Cole, Registered Professional Engineer, West Virginia License No. 10436, of Woolpert, Inc., Ashland, Kentucky, hereby certify that the Project, as more fully defined and described in the Bond Resolution, as designed, is adequate for its intended purpose and has a useful life of at least forty (40) years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear.

WITNESS my signature and seal on this 6th day of March, 2007.

WOOLPERT, INC.

(SEAL)



By: 
Steven Cole, P.E.
West Virginia License No. 10436

02/26/07
067740.00015

CH873406.2

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 21, 2007

NEW ISSUE

RATING: Standard & Poor's: "BBB"

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 2007 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 2007 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 2007 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 2007 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia (see "Tax Matters" herein).

\$3,970,000*

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BONDS
SERIES 2007 A (BANK-QUALIFIED)

Dated: March 1, 2007

Due: March 1, as shown below

The Series 2007 A Bonds (the "Series 2007 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 2007 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 2007 A Bonds will be in book-entry form only. Semiannual interest on the Series 2007 Bonds is payable beginning September 1, 2007, and each March 1 and September 1 thereafter. So long as the Series 2007 A Bonds are maintained under a book-entry system, payments of the principal of, premium, if any, and interest on the Series 2007 A Bonds will be made when due by the West Virginia Municipal Bond Commission, 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 2007 A Bonds. See "THE SERIES 2007 A BONDS" and "BOOK-ENTRY ONLY SYSTEM."

The Series 2007 A Bonds are being issued by the Berkeley County Public Service Sewer District (the "District"), together with proceeds of the District's Sewer Revenue Bonds, Series 2007 B, Series 2007 C, Series 2007 D, Series 2007 E and Series 2007 F (collectively, the "Parity 2007 Bonds"), issued to the United States Department of Agriculture simultaneously with the issuance of the Series 2007 A Bonds to: (i) construct the North Berkeley Sewer Project Phase I and (ii) pay certain costs of issuance of the Series 2007 A Bonds and related costs.

The Series 2007 A Bonds are payable from and 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 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account therein on parity with the outstanding First Lien Bonds and Parity 2007 Bonds and senior and prior to the Second Lien Bonds, as more fully described herein. The Series 2007 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 2007 A Bonds, except from the Net Revenues and such funds on deposit. THE DISTRICT HAS NO TAXING POWERS.

The Series 2007 A Bonds are subject to redemption prior to maturity as described herein.

The District has designated the Series 2007 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIPS*

Table with 3 rows: \$ _____ * _____% Series 2007 A Term Bonds due March 1, 20__ at _____% CUSIP

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 2007 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. William F. Rohrbaugh, Martinsburg, 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. Jackson Kelly PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2007 A Bonds will be available for delivery at the Depository Trust Company in New York, New York, on or about March ____, 2007.

Dated: _____, 2007

*Preliminary, subject to change.

Statement constitute an offer to sell or the solicitation of an offer to buy, and shall not be used in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT, WEST VIRGINIA

PUBLIC SERVICE BOARD
John C. Kunkle, Chairman
John E. Myers, Secretary
Ronald K. Collins, Treasurer

BOND COUNSEL
Steptoe & Johnson PLLC
Charleston, West Virginia

ACCOUNTANT
Yount, Hyde & Barbour, P.C.
Winchester, Virginia

UNDERWRITER
Crews & Associates, Inc.
Charleston, West Virginia
Little Rock, Arkansas

UNDERWRITER'S COUNSEL
Jackson Kelly PLLC
Charleston, West Virginia

PAYING AGENT
West Virginia Municipal Bond Commission
Charleston, 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 2007 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 Berkeley County Public Service Sewer 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 Berkeley County Public Service Sewer 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 Berkeley County Public Service Sewer 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.

The information contained in this Official Statement has been obtained from the District and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by any of the foregoing. The presentation of such information is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions 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 the District.

Forward-Looking Statements

This Official Statement, and particularly the information contained in the caption "THE PROJECT" and "APPENDIX B—THE DISTRICT AND THE SYSTEM" contain statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see the information under "INVESTMENT CONSIDERATIONS."

The following sentence has been provided by the Underwriter for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Series 2007 A Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has determined or confirmed the accuracy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 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.

* CUSIP data on the cover page is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers on the cover page hereof are being provided solely for the convenience of the Owners of the Series 2007 A Bonds only at the time of issuance of the Series 2007 A Bonds and neither the Underwriter nor the District make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific

maturity is subject to being changed after the issuance of the Series 2007 A Bonds.

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OFFICIAL STATEMENT
\$3,970,000*
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BONDS
SERIES 2007 A (BANK-QUALIFIED)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Berkeley County Public Service Sewer District, West Virginia (the "District"), the District's sewer system hereinafter described and the District's \$3,970,000* in aggregate principal amount of Sewer Revenue Bonds, Series 2007 A (the "Series 2007 A Bonds"). The Series 2007 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 February 20, 2007 (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"). Capitalized terms not defined herein shall have the meanings set forth in the Resolution. See APPENDIX F—SUMMARY OF THE RESOLUTION."

The proceeds of the Series 2007 A Bonds, together with the proceeds of the Parity 2007 Bonds, as defined herein, will be used as follows: (i) to construct the North Berkeley Sewer Project Phase I (the "Project") and (ii) to pay certain costs of issuance of the Series 2007 A Bonds and related costs. The Series 2007 A Bonds are being issued concurrently with the District's \$9,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 B (United States Department of Agriculture) (the "Series 2007 B Bonds"), \$9,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 C (United States Department of Agriculture) (the "Series 2007 C Bonds"), \$7,104,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 D (United States Department of Agriculture) (the "Series 2007 D Bonds"), \$500,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 E (United States Department of Agriculture) (the "Series 2007 E Bonds") and \$4,999,900 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 F (United States Department of Agriculture) (the "Series 2007 F Bonds," and together with the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds and the Series 2007 E Bonds, the "Parity 2007 Bonds;" the Parity 2007 Bonds and the Series 2007 A Bonds are hereinafter referred to together as the "Series 2007 Bonds").

To fund the acquisition and construction of the System, the District has previously issued in excess of \$115,812,000 in bonds of which \$79,150,411 are secured by Net Revenues of the System. The following bonds (and the December 31, 2006 balances) are payable from the Net Revenues of the System:

* Preliminary, subject to change

- (1) Sewer Revenue Bonds, 1986 B, dated March 7, 1986, issued in the original aggregate principal amount of \$1,638,194, of which approximately \$819,097 is currently outstanding (the "Series 1986 B Bonds")
- (2) Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, issued in the original aggregate principal amount of \$828,629 of which approximately \$720,744 is currently outstanding (the "Series 1990 A Bonds")
- (3) Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, issued in the original aggregate principal amount of \$38,669 of which approximately \$22,805 is currently outstanding (the "Series 1990 B Bonds")
- (4) Sewer Revenue Bonds, Series 1994 A, dated October 5, 1994, issued in the original aggregate principal amount of \$494,288 of which approximately \$446,901 is currently outstanding (the "Series 1994 A Bonds")
- (5) Sewer Revenue Bonds, Series 1994 C, dated November 17, 1994, issued in the original aggregate principal amount of \$2,772,879 of which approximately \$1,247,795 is currently outstanding (the "Series 1994 C Bonds")
- (6) Sewer Revenue Bonds, Series 1995 A, dated February 9, 1995, issued in the original aggregate principal amount of \$3,837,640 of which approximately \$1,774,890 is currently outstanding (the "Series 1995 A Bonds")
- (7) Sewer Revenue Bonds, Series 1995 B, dated December 29, 1995, issued in the original aggregate principal amount of \$2,138,506 of which approximately \$989,047 is currently outstanding (the "Series 1995 B Bonds")
- (8) Sewer Revenue Bonds, Series 1996 A, dated February 13, 1996, issued in the original aggregate principal amount of \$319,902 of which approximately \$147,945 is currently outstanding (the "Series 1996 A Bonds")
- (9) Sewer Revenue Bonds, Series 1996 B, dated May 1, 1996, issued in the original aggregate principal amount of \$2,628,633 of which approximately \$1,314,313 is currently outstanding (the "Series 1996 B Bonds")
- (10) Sewer Revenue Bonds, Series 1996 C, dated May 1, 1996, issued in the original aggregate principal amount of \$837,579 of which approximately \$418,779 is currently outstanding (the "Series 1996 C Bonds")
- (11) Sewer Revenue Bonds, Series 1997 A, dated June 12, 1997, issued in the original aggregate principal amount of \$148,000 of which approximately \$86,830 is currently outstanding (the "Series 1997 A Bonds")
- (12) Sewer Revenue Bonds, Series 1997 B, dated December 11, 1997, issued in the original aggregate principal amount of \$1,250,000 of which approximately \$808,868 is currently outstanding (the "Series 1997 B Bonds")
- (13) Sewer Revenue Bonds, Series 1999 A, dated October 28, 1999, issued in the original aggregate principal amount of \$30,707,296 of which approximately \$25,677,646 is currently outstanding (the "Series 1999 A Bonds")
- (14) Sewer Revenue Bonds, Series 2000 A, dated May 25, 2000, issued in the original aggregate principal amount of \$937,500 of which approximately \$742,175 is currently outstanding (the "Series 2000 A Bonds")
- (15) Sewer Revenue Bonds, Series 2001 A, dated March 30, 2001, issued in the original aggregate principal amount of \$429,000 of which approximately \$322,929 is currently outstanding (the "Series 2001 A Bonds")

- (16) Sewer Revenue Bonds, Series 2001 B, dated August 7, 2001, issued in the original aggregate principal amount of \$2,909,850 of which approximately \$2,424,870 is currently outstanding (the "Series 2001 B Bonds")
- (17) Sewer Revenue Bonds, Series 2002 A, dated May 9, 2002, issued in the original aggregate principal amount of \$750,000 of which approximately \$643,750 is currently outstanding (the "Series 2002 A Bonds")
- (18) Sewer Revenue Bonds, Series 2002 B, dated July 11, 2002, issued in the original aggregate principal amount of \$456,548 of which approximately \$391,863 is currently outstanding (the "Series 2002 B Bonds")
- (19) Sewer Revenue Bonds, Series 2002 C, dated August 28, 2002, issued in the original aggregate principal amount of \$30,500,000 of which approximately \$28,414,528 is currently outstanding (the "Series 2002 C Bonds")
- (20) Sewer Revenue Bonds, Series 2002 D, dated August 28, 2002, issued in the original aggregate principal amount of \$4,965,465 of which approximately \$4,869,783 is currently outstanding (the "Series 2002 D Bonds")
- (21) Sewer Revenue Bonds, Series 2002 E, dated August 28, 2002, issued in the original aggregate principal amount of \$560,822 of which approximately \$551,331 is currently outstanding (the "Series 2002 E Bonds")
- (22) Sewer Revenue Bonds, Series 2003 A, dated August 14, 2003, issued in the original aggregate principal amount of \$252,922 of which approximately \$221,108 is currently outstanding (the "Series 2003 A Bonds")
- (23) Sewer Revenue Bonds, Series 2003 B, dated August 14, 2003, issued in the original aggregate principal amount of \$330,862 of which approximately \$289,243 is currently outstanding (the "Series 2003 B Bonds")
- (24) Sewer Revenue Bonds, Series 2004 A, dated November 30, 2004, issued in the original aggregate principal amount of \$1,999,600 of which approximately \$1,898,171 is currently outstanding (the "Series 2004 A Bonds")
- (25) Sewer Refunding Revenue Bonds, Series 2006 A, dated October 19, 2006, issued in the original aggregate principal amount of \$3,665,000 of which approximately \$3,665,000 is currently outstanding (the "Series 2006 A Bonds")
- (26) Sewer Refunding Revenue Bonds, Series 2006 B, dated October 19, 2006, issued in the original aggregate principal amount of \$240,000 of which approximately \$240,000 is currently outstanding (the "Series 2006 B Bonds")

The Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1990 B Bonds are hereinafter called the "Second Lien Bonds."

The District also has outstanding its Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued and outstanding in the original aggregate principal amount of \$15,405,000 (the "CIF Bonds"). The CIF Bonds are payable solely from and are secured solely by the Capacity Improvement Fee collected by the District and the Surplus Revenues of the System and are not be payable from or secured by the Net Revenues of the System.

The Series 2007 A Bonds are payable from and secured by the Net Revenues, as defined in the Resolution, derived from the existing sewer collection and treatment system of the District and any extensions, improvements or betterments thereto, including the Project (the "System") and from funds on deposit in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account therein on parity with the First Lien Bonds and the Parity 2007 Bonds and senior and prior to the Second Lien Bonds. The Series 2007 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 2007 A Bonds or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit. See "SECURITY FOR THE SERIES 2007 A BONDS."

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 equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2007 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 2007 A Bonds, including the First Lien Bonds and the Parity 2007 Bonds. See "SECURITY FOR THE SERIES 2007 A BONDS – RATE COVENANT" and "APPENDIX F—SUMMARY OF THE RESOLUTION."

The Series 2007 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 2007 A BONDS" herein. The Series 2007 A Bonds initially will be maintained under a book-entry system. So long as the Series 2007 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 2007 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 2007 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Bond Commission" or the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, 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 2007 A BONDS" herein.

For a description of the exclusion of interest on the Series 2007 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 First Lien Bonds, the Series 2007 A Bonds and the Parity 2007 Bonds and senior and prior to the Second Lien 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. See "SECURITY FOR THE SERIES 2007 A BONDS - ADDITIONAL PARITY BONDS" See "APPENDIX F—SUMMARY OF THE RESOLUTION."

Brief descriptions of the Series 2007 A Bonds, the Resolution, the Project, the District and certain provisions of the Resolution and the Act 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 2007 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 2007 A Bonds, from the Underwriter.

THE PROJECT

The North Berkeley Sewer Project Phase I consists of the construction and acquisition of an 1,000,000 gallon per day Sequencing Batch Reactor wastewater treatment plant and approximately 40 miles of gravity sewer mains and force mains in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County, and all appurtenant facilities with a total project cost of approximately \$34,568,900 (the "Project"). The District supports its current customer base of approximately 15,566 customers and the approximately 1,647 new customers to be added as a result of the Project will generate sufficient revenues to pay for the additional debt service without a rate increase. The Public Service Commission of West Virginia (the "PSC") entered an order granting a certificate of convenience and necessity for the construction, operation and maintenance of the Project on September 14, 2006. Bids for construction of the Project were opened on December 20 and 21, 2006. The contract term for construction of the Project is 360 days. The District expects construction to start on or about March 8, 2007.

In addition to the issuance of the Series 2007 A Bonds, the District is issuing its Parity 2007 Bonds to secure approximately \$30,603,900 from the United States Department of Agriculture, Rural Utilities Service for this Project. The Series 2007 A Bonds will be on a parity with the First Lien Bonds and the Parity 2007 Bonds.

FINANCING PLAN

Estimated Sources and Uses of Funds*

Sources of Funds:

Principal Amount of Series 2007 A Bonds	\$3,970,000
Principal Amount of Series 2007 B Bonds	9,000,000
Principal Amount of Series 2007 C Bonds	9,000,000
Principal Amount of Series 2007 D Bonds	7,104,000
Principal Amount of Series 2007 E Bonds	500,000
Principal Amount of Series 2007 F Bonds	4,999,900

Total Sources	\$34,573,900
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Uses of Funds:

Deposit to the Series 2007 A Bonds	
Construction Trust Fund	\$ _____
Deposit to Series 2007	_____
Project Construction Account	_____
Underwriter's Discount	_____
Costs of Issuance (1)	_____
Total Uses	\$ _____

(1) Includes legal and financing fees, printing costs, rating fees and other miscellaneous expenses relating to the issuance of the Series 2007 A Bonds.

*Preliminary, subject to change.

THE SERIES 2007 A BONDS

General

The Series 2007 A Bonds are dated and shall bear interest from the date of delivery. Any Series 2007 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 2007 A Bond shall have been paid in full or duly provided for, in which case said Series 2007 A Bond shall be dated such date of authentication; or unless, as shown by the records of United Bank, Inc., Charleston, West Virginia (the "Registrar"), as defined below, interest on such Series 2007 A Bond shall be in default, in which case any Series 2007 A Bond issued in exchange for a Series 2007 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2007 A Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing September 1, 2007, 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. Interest accruing on the Series 2007 A Bonds shall be payable by check or draft mailed by the West Virginia

Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"), to the registered owner as of the applicable Record Date (each February 15 and August 15) or, in the event of a default in the payment of Series 2007 A Bonds, that special record date to be fixed by the 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 District maintained 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 for payment at the office of the Paying Agent.

The Series 2007 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 2007 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2007 A Bonds and payments of principal of, redemption price, if any, and interest on the Series 2007 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2007 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 2007 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 2007 A Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

Optional Redemption

The Series 2007 A Bonds are not subject to optional redemption prior to _____. At the option of the District, the Series 2007 A Bonds will be subject to redemption prior to maturity on and after September 1, _____, 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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If fewer than all of the Series 2007 A Bonds shall be called for optional redemption, the particular maturities of the Series 2007 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2007 A Bonds are maintained under a book-entry system, the selection of individual ownership interests

in the Series 2007 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Mandatory Sinking Fund Redemption

The Series 2007 A Bonds maturing on September 1, ____, are subject to mandatory sinking fund redemption prior to maturing on September __ 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:

Bonds Maturing

Year ()

Principal Amount

* 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 Redemption

So long as the Series 2007 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2007 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 2007 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2007 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 2007 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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2007 A Bonds (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 the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 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, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, 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 and www.dtc.org.

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 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 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.

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 such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the 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 Paying 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, Paying Agent, or the District, 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 the District or Paying 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. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE INFORMATION PROVIDED IMMEDIATELY ABOVE UNDER THIS HEADING HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE DISTRICT OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE

ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the District and the Paying Agent will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting.

Under the Resolution, payments made by the Paying Agent to DTC or its nominee shall satisfy the District's obligation under the Resolution to the extent of the payments so made.

Neither the District nor the Paying Agent shall have any responsibility or obligation to any DTC Participant or Indirect Participant with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC participant or indirect participant with respect to any beneficial ownership interest in any bonds;
- (ii) the delivery to any DTC participant or indirect participant or any other person, other than the registered owner of a bond, as shown in the bond register, of any notice with respect to any bond, including, without limitation, any notice of redemption;
- (iii) the selection by DTC or any DTC participant or indirect participant of any person to receive payment in the event of a partial redemption of bonds;
- (iv) the payment to any DTC participant or indirect participant or any other person other than the registered owner of a bond, as shown in the bond register, of any amount with respect to the principal of, redemption price, or interest on, any bond; or
- (v) any consent given by DTC as registered owner.

Prior to the discontinuation of the book-entry only system as described above, the District and the Paying Agent may treat DTC and any successor securities depository to be the absolute owner of the bonds for all purposes, including, without limitation:

- (i) The payment of principal of redemption price or interest on the bonds;
- (ii) giving notices of redemption and other matters with respect to the bonds;
- (iii) registering transfers with respect to the bonds; and
- (iv) the selection of bonds for redemption.

The Beneficial Owners of the Bonds have no right to a securities depository for the Bonds. DTC or any successor securities depository may resign as depository for the Bonds by giving notice to the Paying Agent and discharging its responsibilities under applicable law. In addition, the District may remove DTC or a successor securities depository for any reason at any time. In such event, the District shall (i) appoint a securities depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, notify the prior securities depository of the appointment of such successor depository and transfer separate bond certificates to such successor securities depository or (ii) notify the securities depository of the availability through

the securities depository of bond certificates and transfer one or more separate bond certificates to Depository Participants having Bonds credited to their accounts at the securities depository. In such event, such Bonds shall no longer be restricted to being registered in the registration books of the District in the name of the securities depository or its nominee, but may be registered in the name of the successor securities depository or its nominee, or in whatever name or names the Depository Participants receiving such Bonds shall designate, in accordance with the provisions of the Resolution.

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the District determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the Beneficial Owners. In either such event (unless the District appoints a successor securities depository), Bonds will then 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 District or the Paying Agent for the accuracy of such designation. Whenever DTC requests the District or the Paying Agent to do so, the District or the Paying Agent 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 2007 A Bonds.

SECURITY FOR THE SERIES 2007 A BONDS

The Series 2007 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 2007 A Bonds except from said sources.

Sources of Payment

The payment of the debt service on the Series 2007 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 on parity with the First Lien Bonds and the Parity 2007 Bonds and senior and prior to the Second Lien Bonds and the funds on deposit in the Series 2007 A Bonds Sinking Fund and the Series 2007 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 2007 A Bonds and to make the payments into the Series 2007 A Bonds Sinking Funds and all other payments provided for in the Resolution, and the funds in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2007 A Bonds as the same become due and for the other purposes provided in the Resolution. See "APPENDIX F—SUMMARY OF 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 equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the First Lien Bonds and the Parity 2007 Bonds. See "APPENDIX F—SUMMARY OF THE RESOLUTION."

Series 2007 A Bonds Reserve Account

The Series 2007 A Bonds Reserve Account will be funded in equal monthly installments over a 120 month period until the balance is equal to the Series 2007 A Bonds Reserve Requirement. In the event funds in the Series 2007 A Bonds Sinking Fund is insufficient to pay the principal of and/or interest on the Series 2007 A Bonds, the Bond Commission shall withdraw from the Series 2007 A Bonds Reserve Account and transfer to the Series 2007 A Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2007 A Bonds as the same becomes due from cash on deposit in the Series 2007 A Bonds Reserve Account.

In the event of a transfer from the Series 2007 A Bonds Reserve Account to the Series 2007 A Bonds Sinking Funds as aforesaid, the District shall restore the balance to the Series 2007 A Bonds Reserve Account in an amount up to the Series 2007 A Bonds Reserve Requirement. The District shall restore any withdrawals from the Series 2007 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2007 A Bonds Reserve Requirement, from the first Net Revenues available after all required payments have been made in full in the order set forth in the Resolution. See "APPENDIX F—SUMMARY OF THE RESOLUTION."

Application of Revenues

All Gross Revenues derived from the operation of the System are to be deposited in the Revenue Fund for use by the District for the Operating Expenses of the System. The District shall apply the revenues of the System as follows: first, the District shall each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary to pay the current Operating Expenses of the System; second, the District shall on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay interest on the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay interest on the Parity 2007 Bonds; and (iii) commencing 6 months prior to the first interest payment date on the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2007 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 2007 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 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund; third, the District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay the principal of the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay the principal of the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, and in the Series 2007 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 2007 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 2007 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 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding clause; fourth, the District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the respective Reserve Accounts (i) the amounts required under the Prior Resolutions to fund the respective reserves requirements for the First Lien Bonds; (ii) the amounts required under the RUS Resolution to fund the respective reserves requirements for the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; fifth, the District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account; sixth, the District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Sinking Fund for the Second Lien Bonds the amount required under the Prior Resolutions to pay principal of the Second Lien Bonds; seventh, the District shall next, on the first day of each

month, transfer from the Revenue Fund and remit to the Commission for deposit in the Reserve Account for the Second Lien Bonds the amount required under the Prior Resolutions; and eighth, the District shall next, on the first day of each month, transfer from the Revenue Fund the amount, if any, required by the CIF Resolutions to be deposited into the CIF Surplus Fund.

Any monies remaining in the Revenue Fund and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose. See "APPENDIX F—SUMMARY OF THE RESOLUTION."

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

So long as the First Lien Bonds, the Second Lien Bonds and the Parity 2007 Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions and the RUS Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to the Resolution, except under the conditions and in the manner therein provided (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued under the Resolution shall be on a parity in all respects with the Series 2007 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 of the District 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 the Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

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

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 2007 A Bonds on such revenues. The District 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 2007 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, 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 District shall then be in full compliance with all the covenants, agreements and terms of the Resolution.. See "Appendix F—SUMMARY OF THE RESOLUTION."

THE DISTRICT AND THE SYSTEM

The District is a public corporation created under authority of The County Commission of Berkeley County, West Virginia (the "County Commission"), on April 10, 1979,

pursuant to Chapter 16, Article 13A, Section 2 of the Code of West Virginia of 1931, as amended. The District's Board of Directors is composed of three members appointed by the County Commission. The District is responsible for providing sewerage services for all of Berkeley County except for the City of Martinsburg. The District serves approximately 15,566 residential and 563 commercial customers.

For additional information regarding the County, see Appendix A—"Economic and Demographic Information Regarding Berkeley County, West Virginia," herein. For information regarding the District and the District's System, see Appendix B—"THE DISTRICT AND THE SYSTEM," herein.

INVESTMENT CONSIDERATIONS

The District does not have direct control over the Net Revenues it produces. The District's rates and charges are set by the PSC following a public notice and review process. The District cannot automatically increase rates, thereby increasing Net Revenues if customer numbers or customer usage decline or if operation and maintenance expenses increase significantly.

The District may and anticipates issuing additional bonds secured by the Net Revenues of the System, provided that the coverage and parity tests for the Series 2007 A Bonds, the Parity 2007 Bonds, the First Lien Bonds and the Second Lien Bonds are satisfied. The District is not required to obtain the consent of the owners of the Series 2007 A Bonds to the issuance of obligations secured by Net Revenues. However, the coverage and parity tests contained in the Resolutions authorizing the Series 2007 A Bonds must be met in order for the District to issue additional obligations secured by Net Revenues.

If Net Revenues are not sufficient to cover the debt service on the Series 2007 A Bonds, then the District must request an increase in rates from the PSC. There can be no assurance that the PSC will increase rates and charges to a level sufficient to generate revenue sufficient to pay the debt service on the Series 2007 A Bonds.

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 2007 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 2007 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the current laws of the State of West Virginia, the Series 2007 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 2007 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

Pursuant to Section 265(b)(3)(D)(ii) of the Code, the Series 2007 A Bonds have been designated by the District as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. Therefore, the Series 2007 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 2007 A Bonds. Accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2007 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 2007 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 2007 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 2007 A Bonds.

The accrual or receipt of the interest on the Series 2007 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 2007 A Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2007 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. William F. Rohrbaugh, Martinsburg, West Virginia, Counsel for the District, will pass upon certain legal matters for the District, including proceedings regarding the PSC. Jackson Kelly PLLC, 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 2007 A Bonds, the Project, the Resolution or

any agreement to which the District is a party and which is a part of the issuance of the Series 2007 A Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2007 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 2007 A BONDS - General.”

UNDERWRITING

The Underwriter named on the cover of this Official Statement is purchasing the Series 2007 A Bonds. The Purchase Contract provides that the Underwriter will purchase all the Series 2007 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 \$_____ . 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 2007 A Bonds to certain dealers (including dealers depositing Series 2007 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 C are the audited financial statements of the District as of and for the fiscal year ended June 30, 2006, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2006. See Appendix C—“Financial Statements.”

CONTINUING DISCLOSURE

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2007 A Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2007 A Bonds to provide certain financial and operating information of the System (the “Annual Information”) not later than three hundred sixty-five (365) days following the end of the fiscal year of the District, commencing in 2007, 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. See Appendix E—“FORM OF CONTINUING DISCLOSURE AGREEMENT.”

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

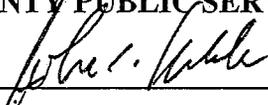
Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2007 A Bonds. Registered Owners may contact the District's General Manager at P.O. Box 944, Martinsburg, West Virginia 25401, (304) 263-8566, for more information.

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.

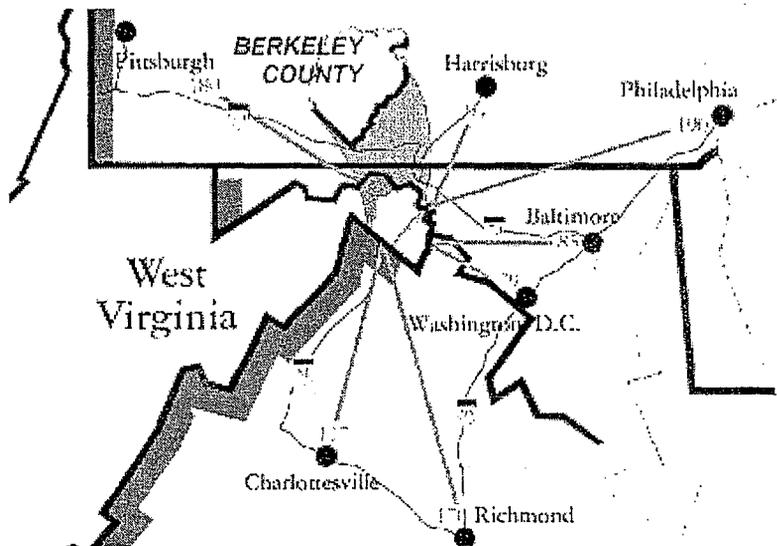
Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2007 A Bonds. The District has authorized the execution and distribution of this Official Statement.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

By: 
Chairman

**ECONOMIC AND DEMOGRAPHIC INFORMATION
REGARDING BERKELEY COUNTY, WEST VIRGINIA**

The Eastern Panhandle of West Virginia is the home of Berkeley County. It is located partly in the Great Appalachian Valley. It is bounded on the northeast by the Potomac River. Dairy products, livestock, and fruit farms make up some of the economic base of the County. There also is some limestone quarrying. The area is home to a diverse manufacturing and industrial base as well. A number of federal agencies have opened up offices in Berkeley County, including the Internal Revenue Service, United States National Guard, the United States Coast Guard and the Veterans Administration.



Nearby Metropolitan Cities Distance (miles)

Washington, DC:	79 miles
Baltimore, MD:	85 miles
Harrisburg, PA:	93 miles

Berkeley County was one of the first settled areas of the State of West Virginia. Quakers and Scotch-Irish Presbyterians, as well as the English and Dutch, became the residents here in the early 1700's. Berkeley County was formed from Frederick County, Virginia, in 1772 and is named for Lord Norborne Berkeley. The county seat was established in the colonial village of Martinsburg, named for Thomas Bryan Martin and was incorporated in 1778.

The arrival of B&O Railroad in the 1840's gave Martinsburg and Berkeley County a big boost. The town of Martinsburg changed hands over 50 times in the Civil War. The North was determined to keep control of the valuable railroads, and the South was determined to destroy them. Confederate troops destroyed them, and Union troops repaired them nine times.

Martinsburg was also home to famous Civil War spy, Belle Boyd. Belle Boyd secretly passed information to General Jackson regarding troop movement. Belle Boyd's house has been turned into a museum that is operated by the Berkeley County Historical Society.

In 1872 the Pennsylvania Railroad came to the area, and it, along with the B&O Railroad, gave the area an excellent transportation base. At the time, a major source of the area's income came from selling flour produced by the area's water-powered mills to the Alexandria and Baltimore markets. Electricity, replacing waterpower, soon followed and the area became a large textile-milling center. In the late 1940's, Martinsburg experienced a series of changes in businesses which served as the commercial foundation for the town. It is at present in another rebirth, as more high-tech industries and governmental agencies locate in the county.

In the fall of 1992, the U.S. Census Bureau established Berkeley County as part of the Washington, D.C./Baltimore, Maryland Standard Metropolitan Statistical Area (SMSA). It is the proximity to this metropolitan area that is the driving force behind the growth experienced by the Eastern Panhandle.

Populations Trends

<u>Census</u>	<u>Population</u>	<u>% Change</u>
1960	33,791	N/A
1970	36,356	7.59%
1980	46,775	28.66%
1990	59,253	26.68%
2000	75,905	28.10%
2005	93,394	23.04%

Source: US Bureau of the Census

People – Quick Facts

Male	49.8%
Female	50.2%
Persons under 5 years old	6.6%
Persons under 18 years old	25.7%
Ages 65 and older	11.2%

Source: US Bureau of the Census

Government/Emergency Services

State of West Virginia:	20 full time Troopers
Berkeley County:	County Administrator, 3 Commissioners
Central Dispatch:	Countywide Enhanced 911

Fire and Rescue: ISO Class 6/9, 3 career departments, 5 volunteer departments
 EMS: 1 career department, 35 paid professionals, 5 volunteer departments
 Police: Sheriff, 32 sworn Deputies

 Source: Berkeley County Development Authority

Education

Public Schools in West Virginia are county administered and by state law have the following students per teacher:

	<i>Kindergarten</i>	<i>Grades 1-2</i>	<i>Grades 4-6</i>
Preferred:	20/1	25/1	25/1
Maximum:	23/1	28/1	28/1

Berkeley County's Schools (Year 2006- 07)

- Elementary (preK-5): 20 schools (7,892 enrolled)
- Middle (6-8): 5 schools (3,776 enrolled)
- Senior High (9-12): 3 schools (4,654 enrolled)

 Source: Berkeley County Development Authority

Private: Faith Christian Academy (Pre-K - 12; 328 enrolled); Martinsburg Christian Academy (Pre-K - 12; 221 enrolled); Rocky Knoll Seventh Day Adventist Elementary (60 enrolled); and St. Joseph's Catholic School (K-8; 410 enrolled).

Post Secondary Schools:

Shepherd University (member of the West Virginia State College System) is an accredited coeducational school in Shepherdstown, West Virginia, seven miles east of Martinsburg. It provides four-year courses granting BA, BFA, and BS degrees upon graduation. Postgraduate courses are offered through West Virginia University. Degrees are offered in technical areas: Accounting, Biology, Business Administration, Chemistry, Computer Science, Earth Science, Engineering Technology, Geology, Information Science, Marketing and Math.

Mountain State University – Martinsburg was established in 1999 as a branch of Mountain State University. MSU Martinsburg is a private educational institution charging the same tuition rates for in-state and out-of-state students. The campus is located .2 miles east of I-81 on an approximately five-acre lot in the University Center. MSU Martinsburg offers four year and two year degrees in a number of different fields. Degrees are offered in: Diagnostic Medical Sonography, Legal Studies, Forensics, Business

Administration, Spectrum, Computer Networking, Organizational Leadership and Nursing. MSU Martinsburg also offers graduate degrees in: Strategic Leadership, Nursing, and Interdisciplinary Studies.

Shepherd Community College provides academic/transfer and occupational/technical programs, which culminate in associate degrees and offers programs, which develop competency in areas fundamental to academic and occupational success at locations throughout the area. The Community and Technical College of Shepherd is working to meet the needs of the changing workplace by offering associate degrees in a variety of technical and occupational areas:

- Automotive Technology
- Business Information/Office Technology
- Business Program
- Computer Technology
- Criminal Justice
- Culinary Arts
- Dependent Care Specialist
- Early Childhood Specialist
- Electromechanical Technology
- Emergency Medical Services
- Engineering Program
- Fashion Merchandising
- Fire Science
- General Studies
- Historic Preservation (certificate)
- HVAC & Refrigeration
- Information Technology
- Nursing
- Paralegal Studies
- Safety Technology
- Visual Communication

The Community and Technical College also offers continuing education courses for professional and personal enrichment; on-site employee training for business, industry and schools; and academic support services including tutoring and study skills enhancement.

James Rumsey Technical Institute serves Berkeley, Jefferson and Morgan County area and is dedicated to the task of training high school students, high school graduates, and others who are eligible for employment in vocational, technical and industrial career fields. College level courses are available.

The Eastern Panhandle Training Center for the handicapped is a sheltered workshop in a work-oriented environment for the purpose of training and placing for employment, handicapped adults of the three Eastern Panhandle counties. Sub-contract work from local industry is utilized to train clients. Wages are paid to these clients; and, if placed in competitive employment, on-the-job follow-up is done by the Center.

Valley College of Technology is an accredited private business college in Martinsburg, offering A.A.S. and Certificate programs in Business Administration and Business and Office Technology. It also offers customized training.

Communications

Berkeley County has one newspaper, *The Journal*, in Martinsburg. There are 6 radio stations throughout the area and no television stations.

Transportation

A highly developed transportation network links Berkeley County to the entire nation. Two major interstate highways (I-81, which runs north/south, and I-70, which runs east/west) are the cornerstones of a highway system and trucking routes with destinations throughout the country. Business and industry in the county are served by the Eastern Regional Airport in Martinsburg. The airport handles aircraft ranging from executive jets to massive cargo planes. Residents also have easy access to Dulles International Airport, Baltimore-Washington International Airport, Reagan National Airport, and Washington County Airport. Rail cargo transport is available on the CSX line and Winchester & Western, which links with Norfolk Southern. Business and pleasure trips to Washington, Baltimore, New York and other destinations are available from Amtrak and MARC's daily train runs from Martinsburg.

Hospital

City Hospital provides medical service to Berkeley County. City Hospital admits over 7,000 patients and serves over 130,000 outpatients annually including 36,000 Emergency Department visits. Gateway Regional Health System, the parent corporation for City Hospital in Martinsburg, and Jefferson Regional Health System, the parent corporation for Jefferson Memorial Hospital in Ranson, merged into a single healthcare system known as West Virginia University Hospitals – East. As a unified healthcare delivery system, WVU-East will focus on growth to enhance and add new health services in Berkeley and Jefferson Counties.

Utilities

Allegheny Power Systems provides electricity to Berkeley County and throughout the Eastern Panhandle. Berkeley County relies on Allegheny Power for natural gas purposes. Sewage treatment is available from the District and the City of Martinsburg. Public water is available from the Berkeley County Public Service District and the City of Martinsburg. Sources for water are deep wells, quarries, springs and the Potomac River.

Ten Largest Employers in Berkeley County (November 2006)

Employer	Est. Employees
1. Berkeley County Board of Education	1,400
2. Veterans Administration Center	1,200
3. City Hospital, Inc.	1,000
4. Quad/Graphics, Inc.	950
5. U.S. Department of Treasury (IRS)	800
6. Wal-Mart Stores, Inc.	480
7. MAAX	440
8. Quebecor World Fairfield, Inc.	400
9. US Coast Guard Operations Center	380
10. General Motors Corporation	327

Source: Bureau of Employment Programs/Berkeley County Chamber of Commerce

Personal Income Tax

The City of Martinsburg and Berkeley County do not impose income taxes. The State income tax is applied on a graduated scale of rates on taxable income of all residents, individuals, estates and trusts and on the West Virginia income of nonresidents. The tax begins with federal adjusted gross income. Individuals are allowed a \$2,000 deduction for each exemption claim on their federal return. Individuals over the age of 65 are allowed an additional \$8,000 income exemption. Tax rates range from 3% on the first \$10,000 of taxable income to 6.5% of income exceeding \$60,000. Business and Occupational Tax taxpayers may credit such taxes paid against up to 100% of their Personal Income Tax liabilities.

Source: Berkeley County Development Authority

Financial Institutions

Berkeley County has 9 banks (29 including branches) with total deposits of \$989,814,000 (June 2006).

Source: Federal Deposit Insurance Corporation

Housing (June 2006)

Homes:

Median sale price for a home is \$231,269

Apartments:

2 bedroom monthly average rate = \$500-\$600

3 bedroom monthly average rate = \$600-\$650

Source: Berkeley County Development Authority

Economic Indicators

Retail Sales (2003)	\$1,168,000,000
Total Wages (2005)	\$955,807,886
Average Unemployment Rate (2005)	3.6%
Per Capita Income (2004)	\$26,975
Total Personal Income (2004)	\$2,407,991,000

 Source: Bureau of Employment Security, State of WV

Employment and Wages Covered by Unemployment Compensation Programs

Employment, Annual Average (2005)	28,733
Annual Wage, Annual Average (2005)	\$33,265

 Source: Bureau of Employment Programs

Employment and Unemployment Statistics – Annual Averages

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Civilian Labor Force	40,100	40,500	40,720	41,940	43,090
Total Employment	38,520	38,630	38,900	40,240	41,530
Total Unemployment	1,580	1,870	1,820	1,700	1,150
Unemployment Rate	3.5%	4.6%	4.5%	4.1%	3.6%

 Source: Bureau of Employment Programs

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THE DISTRICT AND THE SYSTEM

The District is a public corporation created under authority of The County Commission of Berkeley County, West Virginia (the "County Commission"), on April 10, 1979, pursuant to Chapter 16, Article 13A, Section 2 of the Code of West Virginia of 1931, as amended. The District's Board of Directors is composed of three members appointed by the County Commission. The District is responsible for providing sewerage services for all of Berkeley County except for the City of Martinsburg. The District serves approximately 15,566 residential and 563 commercial customers.

The District's Board members and their offices, terms and occupations are as follows:

<u>Member</u>	<u>Term</u>	<u>Occupation</u>
John C. Kunkle, Chairman	7/01/04-6/30/2010	Certified Public Accountant
John Myers, Secretary	7/01/03-6/30/2009	Residential Building Contractor
Ronald K. Collins, Treasurer	7/01/05-6/30/2011	Retired Insurance Specialist

The following sets out an overview of the System.

System Wide Capacity

	<u>Rated Average Daily</u>	<u>Rated Peak Demand</u>	<u>Actual Average Daily</u>	<u>Actual Peak Demand</u>
Opequon/Hedgesville WWTP	1.6 MGD	4.8 MGD	0.7 MGD	>3.0 MGD
Baker Heights WWTP	.9 MGD	2.7 MGD	.7 MGD	2.5 MGD
Upgrade (2007)	2.7 MGD	9.0 MGD		
Inwood WWTP	.75 MGD	2.25 MGD	.6 MGD	1.675 MGD
Upgrade (2007)*	2.25 MGD	7.0 MGD		
Spring Mills WWTP	.2 MGD	.4 MGD	0.11 MGD	0.2 MGD
Upgrade (2007)	1.0 MGD	3.0 MGD		
13 Various Sized	Flow Range			

Package Plants .01-.05 MGD

* denotes the Baker Heights WWTP Upgrade and the Inwood WWTP Upgrade which have been financed through the 2006 CIF Bonds and are currently under construction. The District believes these Upgrades will be completed by the end of the calendar year 2007.

Customer Background

Customer Count by Type

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>
2000	5,733	449
2001	6,199	471
2002	8,214	506
2003	9,274	520
2004	11,612	570
2005	14,772	554
2006	15,566	563

Major Users

Top Ten Customers Measured by Volume and as a Percentage of Total Volume
 March 2005 through June 2006
 Volume Billed - 1,002,062,206 Gallons

<u>Customer</u>	<u>Volume</u>	<u>% of Total Volume</u>
Quad Graphics	132,305,458	13
VA Medical Center	72,183,000	7
Guardian Fiberglass	35,788,800	4
Berkeley County Schools	13,487,700	1
Berkeley Garden Apartments	10,905,800	1
Internal Revenue Service Center	9,849,105	1
Quebecor Printing	8,742,800	1
LCS Landfill	7,000,600	1
Berkeley Care Haven	2,936,000	1
BMA of Martinsburg	2,528,000	1

Top Ten Customers Measured by Revenue and as a Percentage of Total Revenue
 March 2005 through June 2006
 Amount Billed - \$9,416,701

<u>Customer</u>	<u>Revenue</u>	<u>% of Total Revenue</u>
Berkeley County Schools	\$684,421	7
Quad Graphics	593,138	6
VA Medical Center	305,250	3
Guardian Fiberglass	272,079	3
Berkeley Garden Apartments	88,418	1
Quebecor Printing	67,257	1
LCS Landfill	53,307	1
Internal Revenue Service Center	49,605	1
Berkeley Care Haven	22,408	1
BMA of Martinsburg	19,306	1

District Personnel

The District employs 61 full-time employees. The senior managers of the district include: Curtis B. Keller, MBA, General Manager, with 12 years of experience; Gene DeLawder, Fiscal Officer, with 10 years of experience; Clifton Browning, Chief of Plant Operations, with 5 years of experience; John Wood, Chief of Construction, with 7 years of experience; George Sabine, Chief of Maintenance, with 1 year of experience; Regina Keller, Human Resources Director, with 4 years of experience; and William Rohrbaugh, Esquire, General Counsel, with 6 years of experience.

Rates

The Public Service Commission of West Virginia (the "Commission") approved the current schedule of sewer rates and charges by order issued on August 1, 2006, and effective for service rendered on or after July 19, 2006, in Case No. 06-0630-PSD-T. The Commission approved an increase in the Capacity Improvement Fees in Case No. 06-0016-PSD-T by a final order entered October 24, 2006. The provisions of the tariff on file with the PSC are as follows:

APPLICABILITY

Applicable to all customers served by the Berkeley County Public Service Sewer District other than the former customers of Sylvan Grove Waste Treatment, Inc.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and sale for resale sewer service.

CHARGES

Volumetric Charge:	\$ 7.60 per 1,000 gallons usage
Service Charge:	\$ 7.90 per month
Flat Rate:	\$42.08 per month
Service Connection Charge:	\$350.00

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is applicable.

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement, a disconnection fee of \$20.00 shall be charged; or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of \$20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for nonpayment of a sewer bill in conjunction with a water service termination agreement, is reconnected, a reconnection fee of \$20.00 shall be charged.

LEAK ADJUSTMENT

\$0.53 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SURFACE OR GROUND WATER SURCHARGE

An additional amount shall be charged where surface or ground water is introduced into the sanitary system where evidence of a violation exists.

Surcharge formula to be applied in cases where surface drainage is connected to the utility's sewer system.

Applicability

Whenever the utility has discovered that a customer's roof drain, downspout, storm sewer or similar facilities that conduct surface water have been connected to the utility's sewer system, and such customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the utility in accordance with the Rules of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

$$S = A \times R \times .0006233 \times C$$

S = The surcharge in dollars

A = The area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet.

R = The measured rainfall, in inches

.0006233 = A conversion factor to change inches of rain x square feet of surface to thousands of gallons of water

A = The utility's approved rate per thousand gallons of metered water usage.

APPROVED CAPACITY IMPROVEMENT FEES (CIFs)
 APPLICABLE TO DEVELOPERS ONLY

Meter Size	Factor	CIF
5/8 inch	1	\$ 1,581.00
3/4 inch	1.1	1,739.00
1 inch	1.4	2,213.00
1- 1/2 inch	1.8	2,845.00
2 inch Standard	2.9	4,584.00
2 inch Compound	2.5	3,952.00
3 inch Standard	11	17,338.00
3 inch Compound	16	25,291.00
4 inch Standard	14	22,130.00
4 inch Compound	25	39,517.00
6 inch Standard	21	33,194.00
6 inch Compound	50	79,034.00
8 inch Standard	29	45,840.00
8 inch Compound	80	126,455.00

CAPACITY IMPROVEMENT FEES (CIFs) APPLICABLE TO DEVELOPERS
ONLY (APPROVED BY THE COMMISSION ORDER ENTERED
OCTOBER 24, 2006)

<u>*Meter Size</u>	<u>Factor</u>	<u>Collection CIF</u>	<u>Treatment CIF</u>
5/8 inch	1	S 2,529	1,121
3/4 inch	1.1	2,782	1,233
1 inch	1.4	3,541	1,569
1-1/2 inch	1.8	4,552	2,018
2 inch Standard	2.5	6,323	2,803
2 inch Compound	8.0	20,232	8,968
2 inch Turbine	10.0	25,290	11,210
3 inch Standard	11.0	27,819	12,331
3 inch Compound	16.0	40,464	17,936
3 inch Turbine	24.0	60,696	26,904
4 inch Standard	14.0	35,406	15,694
4 inch Compound	25.0	63,225	28,025
4 inch Turbine	42.0	106,218	47,082
6 inch Standard	21.0	53,109	23,541
6 inch Compound	50.0	126,450	56,050
6 inch Turbine	92.0	232,668	103,132
8 inch Standard	29.0	73,341	32,509
8 inch Compound	80.0	202,320	89,680
8 inch Turbine	160.0	404,640	179,360

Meters in excess of 8 inches will be individually evaluated.

CIFs are due as of the date of the final sewer availability letter issued by the Berkeley County Public Service Sewer District.

The following property owners are exempt from payment of the CIF - owners of existing or new (being constructed) single-family structures, where the person applying for service will be the customer of record, and the proposed service location is not part of a larger land tract under development, or a subdivided portion of a larger tract that was previously subdivided for commercial or residential development, for profit.

APPLICABILITY

Applicable to all former customers of Sylvan Grove Waste Treatment, Inc.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and sale for resale sewer service

CHARGES

First	3,000 gallons per month	\$8.05 per 1,000 gallons
Next	7,000 gallons per month	\$7.02 per 1,000 gallons
All Over	10,000 gallons per month	\$5.11 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than \$24.15 per month, which is the equivalent of 3,000 gallons of usage.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$250.00 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement, a disconnection fee of \$20.00 shall be charged; or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of \$20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for nonpayment of a sewer bill in conjunction with a water service termination agreement, is reconnected, a reconnection fee of \$20.00 shall be charged.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

LEAK ADJUSTMENT

\$0.47 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SURFACE OR GROUND WATER SURCHARGE

An additional amount shall be charged where surface or ground water is introduced into the sanitary system where evidence of a violation exists.

Surcharge formula to be applied in cases where surface drainage is connected to the utility's sewer system.

Applicability

Whenever the utility has discovered that a customer's roof drain, downspout, storm sewer or similar facilities that conduct surface water have been connected to the utility's sewer system, and such customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the utility in accordance with the Rules of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

$$S = A \times R \times .0006233 \times C$$

S = The surcharge in dollars

A = The area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet.

R = The measured rainfall, in inches

.0006233 = A conversion factor to change inches of rain x square feet of surface to thousands of gallons of water

A = The utility's approved rate per thousand gallons of metered water usage.

Billing and Collections

Gross Revenues - 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 \$20.00 is required to reinstate a previously delinquent account.

Capacity Improvement Fees – the District collects the Capacity Improvement Fees at the time the District is requested to provide a final letter of availability for a proposed connection to the System.

Comparable Rates

Jefferson County Public Service District	\$51.75 per month/4,500 gallons
City of Charles Town, WV	\$51.75 per month/4,500 gallons
City of Martinsburg, WV	\$27.23 per month/4,500 gallons
Warm Springs Public Service District	\$34.37 per month/4,500 gallons

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 has 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 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. The audited financial statements of the District for the fiscal year ending June 30, 2006 are attached as Appendix C.

Historical and Proforma Revenues, Expenses and Coverages

Five Year Historic Coverage Ratio

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Operating Income:	1,432,136	535,613	2,617	1,422,754	1,191,226
Add back:					
Depreciation	2,046,039	2,340,967	3,484,070	3,522,505	3,881,234
Amortization of Bond Discount	(43,471)	(45,946)	(46,812)	(47,184)	(47,184)
Bond Administration Fees	-	-	-	(184,614)	(222,472)
Interest Income	<u>92,844</u>	<u>86,274</u>	<u>26,740</u>	<u>64,516</u>	<u>239,669</u>
	2,095,412	2,381,295	3,463,998	3,355,223	3,851,247
Cash Available for Debt Service	3,527,548	2,916,908	3,466,615	4,777,977	5,042,473
Debt Service	3,037,419	2,497,385	2,690,853	3,741,148	3,877,936
Coverage Ratio	1.16	1.17	1.29	1.28	1.30

Pension Plan

The District is a participant in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing multiple-employer pension plan. The pension plan covers all the District's employees whose tenure is not temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60. Contributions to the WVPERS by the District are 10.5% of eligible employees' compensation. In addition, the District withholds 4.5% of the eligible employee's compensation and remits the withholding on a monthly basis to the WVPERS. The District's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are established pursuant to the West Virginia Public Employees Retirement Act. The employer contributions for the years ended June 30, 2006 was \$194,459, representing 10.5% of the year's covered payroll. The employee contributions for the years ended June 30, 2006 was \$86,963, representing 4.5% of the year's covered payroll. Total covered payroll for the years ended June 30, 2006 was \$1,932,517.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligations (actuarial present value of credit projected benefits), net assets available for benefits, historical trends, and related party transactions are not readily available since such determinations are made and information is kept on a system-wide basis and not for the individual participating entities. This information is available in the separately issued

financial statements of the WVPERS at Capitol Complex, Building 5, Room 1000, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305.

The District provides a §401(a) plan for employees with the §457 Governmental employer deferred compensation match. Employees are eligible to participate in the plans upon hire, and after 6 months of service, they are eligible to receive up to a 5% match on their contributions. Participants vest after one year. For the §401(a) Plan, employees may contribute the lesser of 25% of their compensation or \$30,000. For the §457 Plan, both employee deferrals and employer contributions are aggregated for purposes of the maximum annual limit of the lesser of \$8,000 or 25% of compensation.

For the fiscal year ending June 30, 2006, the District contributed \$194,459 into the WVPERS account and the employees contributed \$86,963 into the WVPERS account. For the fiscal year ending June 30, 2006, the District contributed \$62,309 into the 401(a) plan and the employees contributed \$67,489 into the 401(a) plan. The total cover payroll for the fiscal year ending June 30, 2006 for WVPERS is \$1,932,517 and for the 401(a) plan it is \$1,325,574.

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FINANCIAL STATEMENTS

JUNE 30, 2006

**BERKELEY COUNTY PUBLIC
SERVICE SEWER DISTRICT**

Martinsburg, West Virginia

FINANCIAL REPORT

JUNE 30, 2006

BOARD MEMBERS AND OFFICERS

As of June 30, 2006

John C. Kunkle - Chairman
John E. Myers - Secretary
Ronald K. Collins - Treasurer

GENERAL MANAGER

Curtis B. Keller

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Yount
Hyde &
Barbour

Certified Public Accountants
and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Public Service Board
Berkeley County Public Service Sewer District
Martinsburg, West Virginia

We have audited the accompanying basic financial statements of the Berkeley County Public Service Sewer District, Martinsburg, West Virginia, as of and for the years ended June 30, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Berkeley County Public Service Sewer District's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Berkeley County Public Service Sewer District, as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated August 16, 2006 on our consideration of the Berkeley County Public Service Sewer District's internal control over financial reporting and our 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 "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audits.

Management's Discussion and Analysis, as indicated in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
August 16, 2006

South Cameron Street
P.O. Box 2560
Winchester, VA 22604
(540) 662-3417
FAX (540) 662-4211

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Berkeley County Public Service Sewer District's (the District) financial performance provides a narrative overview of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities at the close of the year by \$41,727,375.
- Total capital assets increased by \$6,280,295 due to a capital improvement plan implemented by the Board of Directors and continued upgrades to pumping stations and monitoring equipment. The collection of Capacity Improvement Fees from developers have also contributed to increases in assets.
- Operating revenues increased by \$905,370 from 2005 due to the steady growth of the customer base.
- User rates were maintained from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The Statements of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and changes in them. You can think of the District's net assets-the difference between assets and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

NET ASSETS

To begin our analysis, a summary of the District's Statements of Net Assets is presented in Table A-1.

Table A-1	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current and Other Assets	\$ 10,509,288	\$ 7,872,918
Capital Assets	<u>118,613,726</u>	<u>112,333,431</u>
Total Assets	<u>\$ 129,123,014</u>	<u>\$ 120,206,349</u>
Long-term debt outstanding	\$ 78,966,163	\$ 82,389,370
Other Liabilities	<u>8,429,477</u>	<u>6,356,810</u>
Total Liabilities	<u>\$ 87,395,640</u>	<u>\$ 88,746,180</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 33,180,240	\$ 25,488,497
Restricted net assets	7,447,602	5,106,015
Unrestricted net assets	<u>1,099,533</u>	<u>865,657</u>
Total net assets	<u><u>\$ 41,727,375</u></u>	<u><u>\$ 31,460,169</u></u>

OPERATING INCOME

Operating revenues totaled \$9,808,245 in fiscal year 2006, an increase of \$905,370 from 2005. This can be attributed to the increase in the District's customer base. Operating expenses were \$4,735,785 in 2006 an increase of \$778,169 from 2005 due to an increase in services expenses and increased legal expenses. Table A-2 provides a summary of Revenues and Expenses.

Table A-2	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating Revenues	\$ 9,808,245	\$ 8,902,875
Non-Operating Revenues	239,669	64,516
Total Expenses	<u>\$ 10,047,914</u>	<u>\$ 8,967,391</u>
Depreciation Expense	\$ (3,881,234)	\$ (3,690,774)
Operating Expense	(4,735,785)	(3,957,616)
Non-Operating Expense	(985,220)	(911,264)
Total Expenses	<u>\$ (9,602,239)</u>	<u>\$ (8,559,654)</u>
Net income before capital contributions	\$ 445,675	\$ 407,737
Capital Contributions	9,821,530	8,147,962
Change in Net Assets	<u>\$ 10,267,205</u>	<u>\$ 8,555,699</u>

While the Statements of Net Assets show the change in financial position of net assets, the Statements of Revenues and Expenses and Changes in Net Assets provides answers as to the nature and source of these changes. Increases in costs were primarily the result of rising employment costs and costs associated with the increased capacities within the treatment facilities. These costs include enhanced benefits in the District's retirement plan, an increase in engineering and operations costs needed to support current and future system growth, and the additional costs associated with increased capacities within the treatment systems.

BUDGETARY HIGHLIGHTS

As required by its Bylaws, the District adopts an Operating Budget no later than 45 days prior to the start of its Fiscal Year. The General Manager must approve any overruns within departmental budgets and only the Board of Directors may revise the total budget. All annual appropriations lapse at year end. The table below shows a comparison of 2006 budget projections to 2006 actual revenues and expenses.

Table A-3

	Budget vs Actual		Variance with Budget
	FY 06 Budget	FY 06 Actual	
Operating Revenues			
Sewer Fees	\$ 9,296,875	\$ 9,448,009	\$ 151,134
Miscellaneous Income	105,540	203,953	98,413
Developers Subsidy Income	144,000	156,283	12,283
Total Operating Revenues	<u>\$ 9,546,415</u>	<u>\$ 9,808,245</u>	<u>\$ 261,830</u>
Operating Expenses			
Construction Expenses	\$ 865,243	\$ 577,426	\$ (287,817)
Pumping/Maintenance Expenses	963,308	715,115	(248,193)
Treatment Expenses	1,179,213	1,330,354	151,141
Billing/Finance Expenses	370,337	304,534	(65,803)
Administrative Expenses	985,607	1,808,356	822,749
Total Operating Expenses	<u>\$ 4,363,708</u>	<u>\$ 4,735,785</u>	<u>\$ 372,077</u>
Operating Income before Depreciation	\$ 5,182,707	\$ 5,072,460	\$ (110,247)
Depreciation	3,350,004	3,881,234	531,230
Operating Income	<u>\$ 1,832,703</u>	<u>\$ 1,191,226</u>	<u>\$ (641,477)</u>
Non-operating Revenue(Expenses)			
Interest Income	\$ 25,000	\$ 239,669	\$ 214,669
Interest Expense	(679,466)	(715,564)	(36,098)
Amortization Expense	(47,184)	(47,184)	--
Bond Administration Expense	(184,614)	(222,472)	(37,858)
Net Non-operating Revenue (Expense)	<u>\$ (886,264)</u>	<u>\$ (745,551)</u>	<u>\$ 140,713</u>
Net Income before Capital Contributions	<u>\$ 946,439</u>	<u>\$ 445,675</u>	<u>\$ (500,764)</u>
Capital Contributions		\$ 9,821,530	
Change in Net Assets		<u>\$ 10,267,205</u>	

As can be seen from Table A-3 the District's revenues increase to \$9,808,245 showing a favorable variance to the budget. This favorable variance to budget for 2006 was due to an increase in the customer base. During this time operating expenses increased by \$372,077 over budget. This increase was primarily due to increased insurance premiums and legal expenses. The net result of non-operating factors was that the District performed in a favorable ratio to its Fiscal 2006 budget due to the favorable interest income variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2006, the District had invested \$3.1 million in a broad range of capital assets including sewer lines, land, buildings, treatment plants, vehicles and equipment. In addition, developers contributed \$6.9 million of lines and collection systems as shown in Table A-4.

TABLE A-4

	Capital Assets	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land and land rights	\$ 1,939,260	\$ 1,816,595
Structure and improvements	11,139,839	10,371,307
Collection and transmission systems	102,141,610	95,147,157
Pumping system and force mains	7,529,553	7,355,021
Tools and shop equipment	121,991	109,589
Treatment and disposal system	17,518,582	16,038,062
Communication equipment	155,504	152,429
Office furniture and equipment	2,370,358	2,345,028
Lab and general plant equipment	174,822	170,829
Transportation equipment	690,396	690,396
Miscellaneous general plant equipment	6,302	6,302
Construction in progress	<u>1,574,197</u>	<u>998,170</u>
 Sub Total	 \$ 145,362,414	 \$ 135,200,885
 Less accumulated depreciation	 <u>26,748,688</u>	 <u>22,867,454</u>
 Net Property, Plant & Equipment	 <u>\$ 118,613,726</u>	 <u>\$ 112,333,431</u>

The District has the following ongoing projects:

1. Design of North End Sewer System to include treatment facility and collection lines.
2. Design of Baker Heights Treatment Facility upgrade.
3. Design of Inwood Treatment Facility upgrade.

LONG TERM DEBT

The District's outstanding debt as of June 30, 2006 includes \$82,259,370 in Sewer System Revenue Bonds that bear interest from 0% to 6%. The payment of principal and interest on all revenue bonds is secured by the pledge of net revenues of the District. The District is in compliance with all bond covenants.

BOND RATINGS

All outstanding bonds carry an Aaa and AAA rating from Moody's and Standard & Poor's respectfully based upon a Municipal Bond Commission policy.

LIMITATIONS ON DEBT

Bond Covenants allow for the issuance of additional debt on a parity, as to lien on the net revenues of the System provided certain net earning ratio(s) conditions are met. The major criterion is that all estimated future net earnings of the system must be at least 1.15 times the highest combined debt service requirement. The District currently enjoys a coverage ratio of 1.32.

The District has been successful in taking advantage of available low financing through the West Virginia State Revolving Fund administered by the Department of Environmental Protection.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET AND RATES

The economic outlook for Berkeley County is extremely positive. The regions favorable economic condition and the prospect of these conditions continuing have produced a rate of growth for Berkeley County greater than has been experienced over recent years. The District continues to evaluate its resources as well as operational and capital requirements to ensure that wastewater service will be available to meet expected demand.

The District's rate structure is designed to collect sufficient revenues to pay debt service and recover operating and maintenance expenses, and the District successfully accomplished this objective in 2006. User rates were maintained for the Fiscal Year 2006.

CONTACTING THE DISTRICT'S FISCAL OFFICER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Berkeley County Public Service Sewer District, Fiscal Officer, P.O. Box 944, Martinsburg, WV 25402.

Liabilities and Net Assets

	2006	2005
Liabilities		
Current Liabilities (payable from current assets)		
Accounts payable - operations	\$ 171,966	\$ 154,591
Accrued payroll and related liabilities	131,891	117,188
Customer security deposits	81,293	98,866
Developers' contracts payable	182,148	45,949
Lease payable	106,769	124,835
Note payable	2,360,769	352,001
Total current liabilities (payable from current assets)	\$ 3,034,836	\$ 893,430
Current Liabilities (payable from restricted assets)		
Accrued interest	\$ 273,571	\$ 261,353
Customer security deposits	424,889	351,829
Revenue bonds payable	3,293,207	3,283,327
Total current liabilities (payable from restricted assets)	\$ 3,991,667	\$ 3,896,509
Commitments, construction costs payable	\$ 348,275	\$ 539,108
Long-Term Liabilities		
Developers' contracts payable	\$ 348,121	\$ 257,961
Developers' deposit payable	--	74,401
Lease payable	139,684	250,586
Note payable	995,264	1,024,604
Revenue bonds payable	78,966,163	82,259,370
Less unamortized amount resulting from advance refunding of debt	(428,370)	(449,789)
Total long-term liabilities	\$ 80,020,862	\$ 83,417,133
Total liabilities	\$ 87,395,640	\$ 88,746,180
Net Assets		
Invested in capital assets, net of related debt	\$ 33,180,240	\$ 25,488,497
Restricted net assets	7,447,602	5,106,015
Unrestricted net assets	1,099,532	865,657
Total net assets	\$ 41,727,374	\$ 31,460,169
Total liabilities and net assets	\$ 129,123,014	\$ 120,206,349

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

**Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Sewer fees	\$ 9,448,009	\$ 8,458,399
Developers' subsidy income	156,283	169,949
Miscellaneous income	<u>203,953</u>	<u>274,527</u>
Total operating revenues	\$ 9,808,245	\$ 8,902,875
Operating Expenses		
Collecting system expenses	\$ 577,426	\$ 549,459
Pumping system expenses	715,115	556,051
Treatment and disposal expenses	1,330,354	1,112,404
Customers' accounting and collection expenses	304,534	254,492
General and administrative expenses	<u>1,808,356</u>	<u>1,485,210</u>
Total operating expenses	\$ 4,735,785	\$ 3,957,616
Operating income before depreciation	\$ 5,072,460	\$ 4,945,259
Depreciation	<u>3,881,234</u>	<u>3,690,774</u>
Operating income	\$ 1,191,226	\$ 1,254,485
Nonoperating Revenue and Expense		
Interest earned	\$ 239,669	\$ 64,516
Amortization of bond discount and expense	(47,184)	(47,184)
Interest expense	(715,564)	(679,466)
Bond administration fees	<u>(222,472)</u>	<u>(184,614)</u>
Net nonoperating (expense)	\$ (745,551)	\$ (846,748)
Net income before capital contributions	\$ 445,675	\$ 407,737
Capital Contributions	<u>9,821,530</u>	<u>8,147,962</u>
Change in Net Assets	\$ 10,267,205	\$ 8,555,699
Total Net Assets, Beginning of Year	31,460,169	18,405,546
Prior Period Adjustment	<u>--</u>	<u>4,498,924</u>
Total Net Assets, End of Year	<u>\$ 41,727,374</u>	<u>\$ 31,460,169</u>

See Accompanying Notes to Financial Statements.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 9,711,412	\$ 8,678,824
Payments to suppliers for goods and services	(2,158,008)	(1,651,201)
Payments to employees for services	(2,654,364)	(2,319,212)
Net cash provided by operating activities	<u>\$ 4,899,040</u>	<u>\$ 4,708,411</u>
 Cash Flows from Capital and Related Financing Activities		
Payments on developers' contract payable	\$ (122,435)	\$ (70,663)
Proceeds from developers' contracts	348,795	--
Purchase of property, plant and equipment	(3,163,037)	(1,684,312)
Proceeds from note payable	2,195,834	1,683,999
Proceeds from bond issuance	--	2,967,518
Bond issuance costs	--	(13,000)
Principal payments on revenue bonds	(3,283,327)	(2,659,908)
Interest payments on revenue bonds	(596,759)	(664,683)
Payments on bond administration fees	(222,472)	(184,614)
Principal payments on note payable	(216,406)	(402,189)
Interest payments on note payable	(120,957)	(14,368)
Principal payments on bond anticipation note	--	(1,999,700)
Payments on construction costs payable	(190,833)	(1,296,267)
Payments on lease payable	(128,968)	(111,829)
Capital contributions	<u>2,837,405</u>	<u>1,785,712</u>
Net cash (used in) capital and related financing activities	<u>\$ (2,663,160)</u>	<u>\$ (2,664,304)</u>
 Cash Flows from Investing Activities, interest income	<u>\$ 239,669</u>	<u>\$ 64,516</u>
 Net increase in cash and cash equivalents	\$ 2,475,549	\$ 2,108,623
 Cash and Cash Equivalents at Beginning of Year	<u>5,744,456</u>	<u>3,635,833</u>
 Cash and Cash Equivalents at End of Year	<u>\$ 8,220,005</u>	<u>\$ 5,744,456</u>

See Accompanying Notes to Financial Statements.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Statements of Cash Flows

(Continued)

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 1,191,226	\$ 1,254,485
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,881,234	3,690,774
Changes in assets and liabilities:		
(Increase) in accounts receivable - customers	(92,138)	(212,605)
(Increase) in developers' receivable	(141,394)	(31,237)
(Increase) decrease in other assets	46,945	(462)
Increase (decrease) in accounts payable - operations	17,376	(60,551)
(Decrease) in developers' deposit payable	(74,401)	--
Increase (decrease) in accrued expenses	14,704	(1,700)
Increase in customer security deposits	55,488	69,707
Net cash provided by operating activities	<u>\$ 4,899,040</u>	<u>\$ 4,708,411</u>
 Reconciliation of Cash		
Cash and temporary investments	\$ 73,943	\$ 25,259
Restricted cash and temporary investments	<u>8,146,062</u>	<u>5,719,197</u>
	<u>\$ 8,220,005</u>	<u>\$ 5,744,456</u>

See Accompanying Notes to Financial Statements.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

The Berkeley County Public Service Sewer District (the "District") is a corporation created under the authority of the County Commission of Berkeley County, West Virginia on April 10, 1979 under West Virginia Code Section 16-13A-2. The Board of Directors is composed of three members appointed by the County Commission of Berkeley County, West Virginia. The District is responsible for providing sewerage services for all of Berkeley County, West Virginia. The District serves approximately 15,800 customers.

A summary of significant accounting policies are as follows:

Basis of Presentation

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. The District accounts for its operations in a manner similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The costs (including depreciation) of providing goods and services to customers on a continuing basis are recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control and accountability.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Revenues and expenses of the District are accounted for within one fund, an enterprise fund. The District uses the accrual basis of accounting for its enterprise fund, under which revenues are recognized when they are earned and expenses are recognized when they are incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District has elected to apply all applicable GASB pronouncements as well as FASB statements and interpretations, APB opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do no conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

For purposes of reporting the statements of cash flows, the District considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less, except those set aside for a specific purpose, to be cash equivalents. As of June 30, 2006, the District has not formally adopted an investment policy.

Restricted Assets

Assets whose use is limited include:

Debt service funds and debt service reserve funds represent funds on deposit with the West Virginia Municipal Bond Commission as trustee under the various bond resolutions. These funds are to be used to pay bond interest and principal.

Construction funds represent funds held by a bank as trustee under the District's bond resolutions. These funds are to be used solely for payment of costs associated with the District's construction projects.

The renewal and replacement fund was established by bond ordinance. The fund is to be kept apart from all other funds and shall be invested or reinvested in accordance with Article VIII of the bond ordinance. Withdrawals and disbursements may be made for replacements, emergency repairs, improvements or extensions to the system.

Customer security deposits are held in a separate bank account in the name of the District. Interest earned on security deposits held by the District is paid to customers when the security deposit is refunded.

Revenue Recognition

The District's policy is to recognize revenue on the accrual basis. At June 30, 2006 and 2005, the District accrued two months of revenue earned but not billed for the months of May and June. An estimation was used for this accrual.

Property, Plant and Equipment

The District capitalizes all property, plant and equipment with a purchase price greater than \$1,000.

Notes to Financial Statements

Property, plant and equipment is stated at historical cost. Donated assets are recorded at fair market value at the time received. Expenditures for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

Depreciation is provided by the straight-line method over the estimated useful lives which range from 8 to 50 years.

Interest is capitalized on qualifying construction in process. For assets acquired with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized using the straight-line method over the estimated useful life of the asset. The District capitalized \$80,472 of net interest expense in 2006. No interest was capitalized in 2005.

The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Intangibles

Amortization of debt issue costs is calculated by the straight-line method over the term of the related bond issue.

Deferred amounts resulting from an advance refunding of debt are being amortized by the straight-line method over the life of the new debt.

Nonexchange Transactions

The District follows GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33), which establishes accounting and reporting guidelines for government entities that gives (or receives) value without directly receiving (or giving) equal value in return. The District receives voluntary nonexchange transactions from developer donations of cash, property, lines and improvements. These donations are considered capital contributions on the Statements of Revenues, Expenses and Changes in Net Assets.

Accounting Pronouncements Adopted

In July 2003, the District adopted the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). Statement 34 establishes standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. The District simultaneously implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* (Statement 37) and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (Statement 38). The implementation of Statements No. 34, 37 and 38 were completed for the fiscal year ended June 30, 2004.

Notes to Financial Statements

In March 2003, the GASB issued Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment of GASB Statement No. 3* (Statement 40). This Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The District has adopted Statement 40 for the fiscal year ending June 30, 2005. The effect of the adoption of this statement was the establishment of comprehensive disclosure requirements for certain risks relating to the District's investment portfolio. These risks include: credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (Statement 42). This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner. The District has adopted Statement 42 for the fiscal year ending June 30, 2006. The adoption of this Statement has no effect on the presentation of the financial statements.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – An Amendment for GASB Statement No. 34* (Statement 46) requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Statement 46 aims at improving the understandability and comparability of net asset information by making the assessment of legal enforceability more uniform across governments. The District has adopted Statement 46 for the fiscal year ending June 30, 2006. The adoption of this Statement has no effect on the presentation of the financial statements.

GASB Statement No. 47, *Accounting for Termination Benefits* (Statement 47) establishes accounting standards for termination benefits. The District has adopted Statement 47 for the fiscal year ending June 30, 2006. The adoption of this Statement has no effect on the presentation of the financial statements.

New Accounting Pronouncements

GASB Statement No. 43, *Financial Reporting for Postretirement Benefit Plans Other Than Pension Plans* (Statement 43) establishes uniform financial reporting standards for other postretirement benefit plans. Statement 43 will be effective for the District beginning with its year ending June 30, 2009.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions* (Statement 45) establishes standards for measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. Statement 45 will be effective for the District beginning with its fiscal year ending June 30, 2010.

The District's management has not yet determined the effect these Statements will have on its financial statements.

Notes to Financial Statements

Note 2. Accounts Receivable - Developers

This represents amounts due from certain developers in connection with the District's purchase of utility plants from the developers. Under these agreements, the developers are obligated to reimburse the District for costs associated with acquiring and operating the system in excess of revenues derived from the system. The reimbursements under these agreements continue until net system revenues are sufficient to meet debt service payments. Thereafter, the District is obligated to repay the developer for amounts which it receives under these agreements. Total amounts receivable under the agreements were \$179,511 and \$38,117 as of June 30, 2006 and 2005, respectively.

Note 3. Developers' Contracts Payable

These liabilities represent the cost of line additions constructed by developers and titled to the District. The District is obligated to reimburse the developers based on the revenue derived from customers connected to the lines. The reimbursements are payable for up to a ten year period from the date of completion of the lines. At June 30, the balance consisted of the following:

	<u>2006</u>	<u>2005</u>
Developer payable; payable in two installments per year, interest free, maturity is 2007.	\$ 83,613	\$ --
Developer payable; payable in two installments per year, interest free, maturity is 2010.	156,224	--
Developer payable; payable in two installments per year, interest free, maturity is 2011.	88,068	104,553
Developer payable; payable in two installments per year, interest free, maturity is 2011.	59,138	64,323
Developer payable; payable in two installments per year, interest free, maturity is 2012.	35,932	27,740
Developer payable; payable in two installments per year, interest free, maturity is 2012.	23,965	23,965
Developer payable; payable in two installments per year, interest free, maturity is 2013.	53,550	53,550
Developer payable; payable in two installments per year, interest free, maturity is 2013.	15,999	15,999
Developer payable; payable in two installments per year, interest free, maturity is 2013.	<u>13,780</u>	<u>13,780</u>
	\$ 530,269	\$ 303,910
Less current maturity	<u>182,148</u>	<u>45,949</u>
Total developers' contracts payable	<u>\$ 348,121</u>	<u>\$ 257,961</u>

Notes to Financial Statements

The following is a summary of annual debt service requirements on developers' contracts payable at June 30, 2006:

2007	\$ 182,148
2008	98,534
2009	98,534
2010	65,934
2011	51,328
2012-2014	<u>33,791</u>
	<u>\$ 530,269</u>

Note 4. Long-Term Debt

Revenue Bonds Payable

The District has issued general obligation bonds for the purpose of financing the cost of site acquisition, improvement, construction, erection, renovation, equipping, and improving the existing sewer service system.

Notes to Financial Statements

The following is a summary of revenue bonds payable at June 30:

Bond	Issue	Maturity	Interest	Amount Outstanding	
	Date	Date	Rate	2006	2005
1986 Series "B"	3/7/1986	2025	7.00%	\$ 862,207	\$ 905,317
1990 Series "A"	5/3/1990	2029	7.85%	731,937	742,316
1990 Series "B"	5/3/1990	2029	7.85%	23,796	24,788
WDA 1994 Series "A"	10/3/1994	2033	6.75%	452,747	458,221
HDF 1994 Series "B"	11/14/1994	2009	0.00%	1,500,000	1,500,000
SRF 1994 Series "C"	11/14/1994	2014	0.00%	1,317,117	1,455,761
SRF 1995 Series "A"	2/9/1995	2016	0.00%	1,870,830	2,062,713
SRF 1995 Series "B"	12/29/1995	2016	0.00%	1,042,509	1,149,433
SRF 1996 Series "A"	2/13/1996	2017	0.00%	155,943	171,939
SRF 1996 Series "B"	5/1/1996	2016	0.00%	1,380,029	1,511,461
SRF 1996 Series "C"	5/1/1996	2017	0.00%	439,719	481,599
1996 Series "D"	6/15/1996	2025	5.63%	3,865,000	3,970,000
SRF 1997 Series "A"	6/12/1997	2017	2.00%	90,441	97,540
SRF 1997 Series "B"	12/11/1997	2018	2.00%	838,549	897,031
SRF 1999 Series "A"	12/1/1999	2029	0.00%	26,207,082	27,265,951
SRF 2000 Series "A"	6/1/2000	2030	0.00%	757,801	789,053
SRF 2001 Series "A"	3/30/2001	2021	0.00%	333,446	355,617
SRF 2001 Series "B"	8/7/2001	2031	0.00%	2,473,368	2,570,364
SRF 2002 Series "A"	5/9/2002	2032	0.00%	656,250	681,250
SRF 2002 Series "B"	7/11/2002	2032	0.00%	399,473	414,693
SRF 2002 Series "C"	8/28/2002	2034	0.00%	28,935,896	29,978,632
SRF 2002 Series "D"	8/28/2002	2039	5.80%	4,918,972	4,965,465
SRF 2002 Series "E"	8/28/2002	2041	5.80%	556,210	560,822
SRF 2003 Series "A"	8/14/2003	2024	2.00%	226,544	237,253
SRF 2003 Series "B"	8/14/2003	2024	2.00%	296,353	310,363
SRF 2004 Series "A"	11/30/2004	2040	0.00%	1,927,151	1,985,111
				<u>\$ 82,259,370</u>	<u>\$ 85,542,697</u>

Notes to Financial Statements

The following is a summary of annual debt service requirements on revenue bonds payable at June 30, 2006:

	Interest	Principal	Total
2007	\$ 653,792	\$ 3,293,207	\$ 3,946,999
2008	641,613	3,304,684	3,946,297
2009	628,685	3,316,481	3,945,166
2010	615,034	3,333,610	3,948,644
2011	600,356	3,346,095	3,946,451
2012-2016	2,750,275	16,838,659	19,588,934
2017-2021	2,242,539	14,213,451	16,455,990
2022-2026	1,614,273	14,336,692	15,950,965
2027-2031	998,400	12,645,103	13,643,503
2032-2036	592,527	6,094,871	6,687,398
2037-2041	172,531	1,501,414	1,673,945
2042-2045	1,018	35,103	36,121
	\$11,511,043	\$ 82,259,370	\$93,770,413

Each of the bond issues is secured by a lien on the net revenue derived from the sewer system. The Series 1986 "A" bonds, the Series 1986 "B" bonds, the Series 1986 "C" bonds, the Series 1990 "A" bonds, the Series 1994 "A" bonds, the Series 1994 "B", the Series 1994 "C" bonds, the Series 1995 "A" bonds, the Series 1995 "B" bonds, the Series 1996 "A" bonds, the Series 1996 "B" bonds, the Series 1996 "C" bonds, the Series 1996 "D" bonds, the Series 1997 "A" bonds, the Series 1997 "B" bonds, the Series 1999 "A" bonds, the Series 2000 "A" bonds, the Series 2001 "A", the Series 2001 "B", the Series 2002 "A", the Series 2002 "B", the Series 2002 "C", the Series 2002 "D", the Series 2002 "E", the Series 2003 "A", the Series 2003 "B" and the Series 2004 "A" are first lien bonds. The Series 1990 "B" bonds are second lien bonds.

On October 23, 1999, the District entered in an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$30,797,296, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$26,207,082 and \$27,265,953, respectively, was outstanding on the loan.

On March 30, 2001, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$429,000, at an annual interest rate of zero percent for a term not to exceed 20 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$333,446 and \$355,617, respectively, was outstanding on the loan.

Notes to Financial Statements

On June 25, 2001, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$2,909,850, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$2,473,368 and \$2,570,364, respectively, was outstanding on the loan.

On May 9, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$750,000, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$656,250 and \$681,250, respectively, was outstanding on the loan.

On July 11, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$456,548, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$399,473 and \$414,693, respectively, was outstanding on the loan.

On August 28, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$30,500,000, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$28,935,896 and \$29,978,632, respectively, was outstanding on the loan.

On August 28, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$4,965,456, at an annual interest rate of 5.80% for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$4,918,972 and \$4,965,456, respectively, was outstanding on the loan.

On August 28, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$560,822, at an annual interest rate of 5.80% for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$556,210 and \$560,822, respectively, was outstanding on the loan.

Notes to Financial Statements

On August 14, 2003 the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$252,922 at an annual interest rate of 2.00% for a term not to exceed 20 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$226,544 and \$237,253, respectively, was outstanding on the loan.

On August 14, 2003 the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$330,862, at an annual interest rate of 2.00% for a term not to exceed 20 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$296,353 and \$310,363, respectively was outstanding on the loan.

On November 30, 2004 the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$1,999,600, at an annual interest rate of zero percent for a term not to exceed 35 years. The loan proceeds were used to curtail the bond anticipation note. As of June 30, 2006, \$1,927,151 was outstanding on the loan.

Note Payable

On March 13, 2003, the District entered into an agreement with a local bank for a \$5,000,000 revolving line of credit with an interest rate of 4.50%, interest only payable monthly, with principal payable on demand. The proceeds will be used in connection with the Inwood area sewer project. As of June 30, 2006 and 2005, \$2,187,266 and \$233,722, respectively, was outstanding on the line of credit.

On March 8, 2005, the District entered into an agreement with a local bank for a \$557,000 loan with an interest rate of 4.47%, interest only payable monthly for six months, then fixed interest and principal payments of \$10,431 for 60 months. The loan matures on October 8, 2010. The proceeds will be used in connection with the purchase of capital equipment. As of June 30, 2006 and 2005, \$471,828 and \$393,418, respectively, was outstanding on the loan.

On March 8, 2005, the District entered into an agreement with a local bank for a \$781,937 loan with an interest rate of 4.47%, fixed principal and interest payments of \$8,118 for 59 months with a balloon payment of \$440,814 due on March 8, 2010. The proceeds will be used in connection with the Sylvan Grove system and the Apache pump station upgrade. As of June 30, 2006 and 2005, \$696,939 and \$749,465, respectively, was outstanding on the loan.

Notes to Financial Statements

The following is a summary of annual debt service requirements on notes payable at June 30, 2006:

	Interest	Principal	Total
2007	\$ 49,084	\$ 2,360,769	\$ 2,409,853
2008	41,167	181,420	222,587
2009	32,889	189,698	222,587
2010	17,933	605,532	623,465
2011	191	18,614	18,805
	\$ 141,264	\$ 3,356,033	\$ 3,497,297

Long-Term Liabilities

Long-term liability activity for the year ending June 30, 2006 was as follows:

	Balance, July 1, 2005	Additions	Reductions	Balance, June 30, 2006	Amounts Due Within One Year
Bonds Payable					
Revenue bonds payable	\$ 85,542,697	\$ --	\$ (3,283,327)	82,259,370	\$ 3,293,207
Less					
Unamortized advanced refunding	449,789	--	(21,419)	428,370	--
Total bonds payable	\$ 85,092,908	\$ --	\$ (3,261,908)	\$ 81,831,000	\$ 3,293,207
Other Liabilities					
Notes Payable	1,376,605	2,195,834	(216,406)	3,356,033	2,360,769
Developer's contract payable	303,910	348,795	(122,435)	530,270	182,148
Capital lease payable	375,421	2,397	(131,365)	246,453	106,769
	\$ 87,148,844	\$ 2,547,026	\$ (3,732,114)	\$ 85,963,756	\$ 5,942,893

Notes to Financial Statements

Note 5. Pension Plan

The District is a participant in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing multiple-employer pension plan. The pension plan covers all the District's employees whose tenure is not temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60. Contributions to the WVPERS by the District are 10.5% of eligible employees' compensation. In addition, the District withholds 4.5% of the eligible employee's compensation and remits the withholding on a monthly basis to the WVPERS. The District's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are established pursuant to the West Virginia Public Employees Retirement Act. The employer contributions for the years ended June 30, 2006 and 2005, were \$194,459 and \$167,298, respectively, representing 10.5% of the year's covered payroll. The employee contributions for the years ended June 30, 2006 and 2005, were \$86,963 and \$71,699, respectively, representing 4.5% of the year's covered payroll. Total covered payroll for the years ended June 30, 2006 and 2005 were \$1,932,517 and \$1,593,317.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligation (actuarial present value of credit projected benefits), net assets available for benefits, historical trends, and related party transactions are not readily available since such determinations are made and information is kept on a system-wide basis and not for the individual participating entities. This information is available in the separately issued financial statements of the WVPERS at Capitol Complex, Building 5, Room 1000, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305.

The District provides a 401(a) plan for employees with the 457 Governmental employer deferred compensation match. Employees are eligible to participate in the plans upon hire and after 6 months of service they are eligible to receive up to a 5% match on their contributions. Participants vest after one year. For the 401(a) Plan, employees may contribute the lesser of 25% of their compensation or \$30,000. For the 457 Plan, both employee deferrals and employer contributions are aggregated for purposes of the maximum annual limit of the lesser of \$8,000 or 25% of compensation.

The employer contributions for the years ended June 30, 2006 and 2005, were \$62,309 and \$52,635, respectively. The employee contributions for the years ended June 30, 2006 and 2005, were \$67,489 and \$57,901, respectively. Total covered payroll for the years ended June 30, 2006 and 2005 was \$1,325,574 and \$1,381,146, respectively.

Notes to Financial Statements

Note 6. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in several risk management programs administered by the State of West Virginia.

Workers' Compensation Fund (WCF)

During the period ended June 30, 2006, West Virginia moved from a state-managed Workers' Compensation Insurance Fund to Brickstreet. Nearly every employer in the State, including all Public Service Districts, who have a payroll must have coverage through Brickstreet. The cost of all coverage as determined by Brickstreet is paid by the employers.

Notes to Financial Statements

Note 7. Lease Commitments and Total Rent Expense

The District has entered into various capital leases. The related liability under the capital leases were recorded as follows:

	June 30,	
	2006	2005
7.25% capital lease agreement for the rental of a John Deere backhoe which expires on February 1, 2006 and requires annual rentals of \$15,928.	\$ --	\$ 6,238
Capital lease agreement for the rental of a Xerox copier which expires on December 11, 2009 and requires annual rentals of \$3,295. The lease has a \$1 purchase option at the end of the lease term.	5,678	--
5.394% capital lease agreement for the rental of an excavator which expires on September 30, 2008 and requires annual rentals of \$45,777.	94,370	144,961
12.601% capital lease agreement for the rental of office furniture, which expires on July 7, 2008 and requires annual rentals of \$5,640.	10,287	17,390
10.079% capital lease agreement for the rental of office furniture, which expires on April 1, 2008 and requires annual rentals of \$37,871.	60,526	104,144
1.58% Capital lease agreement for the rental of a Xerox fax machine which expires on January 1, 2007 and requires annual rentals of \$2,749.	1,596	4,353
5.75% Capital lease agreement for the rental of a John Deere Loader, which expires on August 1, 2009 and requires annual rentals of \$11,797.	34,079	49,154
7.194% Capital lease agreement for the rental of a 2003 Ford Expedition which expires on July 30, 2007 and requires annual rentals of 7,852. The lease has a \$16,083 purchase option at the end of the lease term.	22,952	32,441
Capital lease agreement for the rental of a First Data credit card machine which expires on February 10, 2009 and requires annual rentals of \$599.	1,598	--
Capital lease agreement for the rental of a First Data credit card machine which expires on May 10, 2010 and requires annual rentals of \$599.	2,347	--
Capital lease agreement for the rental of a Minolta copier which expires on December 20, 2009 and requires annual rentals of \$3,720.	13,020	16,740
	<u>\$ 246,453</u>	<u>\$ 375,421</u>

Notes to Financial Statements

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2006:

During the year ended June 30:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	12,947	106,769	119,716
2008	4,621	118,810	123,431
2009	524	16,513	17,037
2010	14	4,361	4,375
Total minimum lease payments	<u>\$ 18,106</u>	<u>\$ 246,453</u>	<u>\$ 264,559</u>

During fiscal year 2001, the District entered into an agreement with James River Equipment, Inc. whereby the District rented equipment for three months before leasing. Lease terms were 5.5% capital lease for the rental of an excavator with a hammer which expires on August 7, 2006 and requires annual rentals of \$53,112.

Total rent expense for the years ended June 30, 2006 and 2005 was \$4,106 and \$11,950, respectively.

Note 8. Commitments

The Statements of Net Assets reflects construction costs payable in the amount of \$348,275 and \$539,108 as of June 30, 2006 and 2005, respectively, for construction commitments incurred in which the services have been performed.

Note 9. Investments

The District does not hold any investments. Therefore they do not have a policy addressing investment risk.

Notes to Financial Statements

Note 10. Contributions from developers and others

With the adoption of GASB No. 33, the following components are included in contributions from developers and others:

	2006	2005
Contributions of donated lines and infrastructure	\$ 6,984,125	\$ 6,362,250
Other contributions	<u>2,837,405</u>	<u>1,785,712</u>
Total contributions from developers and others	<u>\$ 9,821,530</u>	<u>\$ 8,147,962</u>

Contributions from developers and others were received in the form of cash, property, water mains, sanitary sewer lines, pumping stations and manholes.

Note 11. Restricted Net Assets

Restricted Net Assets reflects that portion of total net assets legally or contractually segregated for a specific future use. The following amounts represent restricted net assets at June 30, 2006 and 2005:

	2006	2005
Cash and temporary investments		
Debt service funds	\$ 1,164,949	\$ 1,141,786
Debt service reserve funds	2,148,706	1,815,025
Security deposits	424,889	351,829
Renewal and replacement fund	3,454,107	359,533
Construction fund	953,411	2,051,024
Accrued interest	(273,571)	(261,353)
Security deposits	<u>(424,889)</u>	<u>(351,829)</u>
	<u>\$ 7,447,602</u>	<u>\$ 5,106,015</u>

Note 12. Litigation

In May 2005, the West Virginia Department of Environmental Protection (WVDEP) filed civil action against the District alleging the District violated provisions of the West Virginia Water Pollution Act and the West Virginia National Pollutant Discharge Elimination System permit issued to the District. To date, the parties have estimated that the maximum value of the civil penalty will be between \$1,000,000 and \$1,500,000. Negotiations with the WVDEP have resulted in tentative agreement that satisfaction of the civil penalty may be achieved through a combination of a cash payment and a Supplemental Environmental Project (SEP). The District will be able to meet the SEP obligation through adjustment of certain planned projects, which should alleviate liability for amounts designated as SEP. Negotiations with the WVDEP have not yet concluded, but the best estimate for a civil penalty cash payment is between \$100,000 and \$150,000. Due to these ongoing negotiations, there is no liability recorded for the year ended June 30, 2006.

Notes to Financial Statements

The District has numerous claims and pending legal proceedings that generally involve contract and property damage issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the District. In the opinion of management and the District's legal counsel, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the District's financial position, results of operations or cash flows.

The District has certain threatened litigation that involves employment issues. The amount of potential liability, if any, cannot be reasonably estimated and no liability has been recorded for the year ended June 30, 2006.

Note 13. Prior Period Adjustment

Prior year figures have been restated to include developer contributions of lines and infrastructure for the period January 1, 2000 through June 30, 2004. The net effect of the adjustment to total net assets is \$10,692,905 for the period ended June 30, 2005.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Schedules of Operating Expenses
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Collecting System Expenses		
Operations, supervision and labor	\$ 459,487	\$ 404,363
Supplies	77,200	89,959
Maintenance of collecting system	<u>40,739</u>	<u>55,137</u>
	<u>\$ 577,426</u>	<u>\$ 549,459</u>
Pumping System Expenses		
Operations, supervision and labor	\$ 376,058	\$ 256,276
Power purchased	175,250	183,488
Supplies	93,247	36,371
Maintenance of pumping system	<u>70,560</u>	<u>79,916</u>
	<u>\$ 715,115</u>	<u>\$ 556,051</u>
Treatment and Disposal Expenses		
Operations, supervision and labor	\$ 552,803	\$ 430,961
Chemical treatment and supplies	486,952	609,369
Maintenance of treatment system	<u>290,599</u>	<u>72,074</u>
	<u>\$ 1,330,354</u>	<u>\$ 1,112,404</u>
Customers' Accounting and Collection Expense		
Operations, supervision and labor	\$ 194,499	\$ 172,236
Billing, collecting and accounting	70,542	47,343
Meter readings	<u>39,493</u>	<u>34,913</u>
	<u>\$ 304,534</u>	<u>\$ 254,492</u>
General and Administrative Expenses		
Salaries of general officers and office salaries	\$ 268,918	\$ 301,664
Office supplies	21,772	23,440
Accounting and auditing	30,950	27,506
Legal	183,093	47,115
Employee welfare	874,680	748,086
Insurance	205,759	194,588
Miscellaneous	218,938	138,601
Transportation	<u>4,246</u>	<u>4,210</u>
	<u>\$ 1,808,356</u>	<u>\$ 1,485,210</u>
 Total operating expenses	 <u>\$ 4,735,785</u>	 <u>\$ 3,957,616</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the Public Service Board
Berkeley County Public Service Sewer District
Martinsburg, West Virginia

We have audited the financial statements of Berkeley County Public Service Sewer District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 16, 2006. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Berkeley County Public Service Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal audit 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we have reported to management of Berkeley County Public Service Sewer District in a separate letter dated August 16, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley County Public Service Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
August 16, 2006

50 South Cameron Street
P.O. Box 2560
Winchester, VA 22604
(540) 662-3417
FAX (540) 662-4211

FORM OF OPINION OF BOND COUNSEL

March 6, 2007

Berkeley County Public Service Sewer District (West Virginia)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

Berkeley County Public Service District
Martinsburg, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Berkeley County Public Service Sewer District (West Virginia) (the "Issuer") of its \$3,522,500 in aggregate principal amount Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A Bonds").

The Series 2007 A 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 February 20, 2006, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on February 20, 2006 (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 Series 2007 A Bonds are issued in fully registered form, are dated _____, 2007, upon original issuance, mature on _____ 1 in years and amounts and bear interest payable each ____ 1 and _____ 1, commencing _____ 1, 200_, as follows:

Bond Maturity	Principal	Interest	CUSIP No.
<u>No. Date (_____ 1)</u>	<u>Amount</u>	<u>Rate</u>	

The Series 2007 A 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 Series 2007 A Bonds are issued for the purposes of (i) paying the costs of acquisition and construction of certain additions, betterments and improvements to the System; and (ii) paying the costs of issuance of the Series 2007 A Bonds and other costs in connection with such refunding.

The Series 2007 A Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated February 22, 2007, 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2007 A Bonds (including original issue discount properly allocable to owners of the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds to be includable in gross income retroactive to the date of issuance of the Series 2007 A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2007 A Bonds except as expressly set forth in paragraph 5.

5. Under the Act, the Series 2007 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 2007 A Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

6. The Series 2007 A 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 Series 2007 A Bonds, to register any securities under said Securities Acts.

7. The Series 2007 A 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, on a parity with the Issuer's First Lien Bonds, Parity 2007 Bonds and, senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects, all as more fully defined and described in the Resolution.

The Issuer has designated the Series 2007 A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2007 A Bonds.

It is to be understood that the rights of the holders of the Series 2007 A Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Series 2007 A 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 through AR-_____ of said issue, and in our opinion, said Series 2007 A Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is by and among Berkeley County Public Service Sewer District, a governmental instrumentality and political subdivision of the State of West Virginia (the "Issuer"), and United Bank, Inc., Charleston, West Virginia (the "Dissemination Agent"), in connection with the issuance of \$_____ Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (the "Bonds"). The Bonds are being issued pursuant to the bond resolution adopted by the Issuer on February 20, 2007 (the "Resolution"). The Issuer and Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "Central Post Office" or "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Purchase Contract dated February __, 2007, which apply to any capitalized term used in the Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix C, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Central Post Office” means the Texas Municipal Advisory Council (“MAC”) (<http://www.disclosureusa.org>) or any successor or alternative entity approved by the United States Securities and Exchange Commission.

“Dissemination Agent” shall initially mean United Bank, Inc. or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of the Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

“Participating Underwriter” shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of West Virginia.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer’s fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2007, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of the Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer’s fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in

compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Central Post Office for delivery to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Central Post Office for delivery to each Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of the Central Post Office for delivery to each National Repository and the State Repository, if any; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Agreement, stating the date it was provided and listing the Central Post Office and all the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2007 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to the Central Post Office for delivery to each nationally recognized municipal securities information repository ("National Repository") and to any West Virginia State information repository ("State Repository"), information and data of the Issuer for the prior fiscal year, including the audited financial statements, prepared in accordance with generally accepted auditing principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled thaws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the General Resolution;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to the Central Post Office and the Municipal Securities Rulemaking Board for delivery to the National Repository and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. United Bank, Inc., Charleston, West Virginia, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination. The Dissemination Agent shall have only such duties as are specifically set forth in the Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: Berkley County Public Service Sewer District
65 District Way
Martinsburg, WV 25401

To the Dissemination Agent: United Bank, Inc.
500 Virginia Street, East
Charleston, WV 25301

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under this Disclosure Agreement and to rely upon an opinion of counsel.

Date: March __, 2007

BERKELY COUNTY PUBLIC SERVICE
SEWER DISTRICT

By: _____
Chairman

UNITED BANK, INC.,
as Dissemination Agent

By: _____

Its: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Berkeley County Public Service Sewer District

Name of Issue: \$ _____ Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 2007 A

Date of Issuance: March __, 2007

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated this _____.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

By: _____
Chairman

EXHIBIT B

Nationally Recognized Municipal
Securities Information Repositories
Approved by the Securities and Exchange
Commission as of March 1, 2007

Central Post Office
Website: <http://www.disclosureusa.org>

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
FAX: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
E-mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
FAX: (212) 771-7390
<http://www.ftid.com>
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
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
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
FAX: (201) 947-0107
<http://www.dpcdata.com>
E-mail: nrmsir@dpcdata.com

SUMMARY OF THE RESOLUTION

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain terms, provisions and covenants of the Resolution. This summary makes use of terms defined in the Resolution, certain of which are defined in "Definitions" which follows. This summary does not purport to be final, complete or definitive, and is qualified by reference to the Resolution in its entirety for the complete and actual terms, provisions and covenants thereof.

Definitions. All capitalized terms used in the Resolution and not otherwise defined in the recitals or in the text thereof 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 2007 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, collectively, the Series 2007 A Bonds, the First Lien Bonds, the Parity 2007 Bonds and the Second Lien Bonds, and any additional Parity Bonds hereafter issued within the terms, restrictions and conditions contained in the Resolution.

"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.

"Capacity Improvement Fee" means the capacity improvement fees in the Issuer's tariff, as approved by the Public Service Commission of West Virginia, by Commission Orders entered on August 31, 2004, and March 28, 2005 in Case No.: 04-0153-PSD-T, and as may be modified by the Public Service Commission of West Virginia from time to time, which fees are paid by any developer or non-developer, as defined in the PSC Orders, which seeks sewer service within the service territory of the Issuer and which capacity improvement fees must be used for the purpose of financing upgrades to, or construction of, improvements to the System.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2007 A Bonds in substantially the form set forth in EXHIBIT A - Series 2007 A BOND FORM, attached thereto.

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

"CIF Bonds" means the Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued in the aggregate principal amount of \$15,405,000.

"CIF Resolutions" means, individually or collectively, the resolutions of the Issuer adopted October 17, 2006, authorizing the CIF Bonds.

"CIF Surplus Revenue Fund" means the fund of the Issuer, created in the CIF Resolutions, into which Surplus Revenues may be deposited.

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Bonds for the proceeds representing the original purchase prices thereof.

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

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

"Consulting Engineers" means 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 mean those costs described in Section 1.03 of the Resolution to be a part of the costs of acquisition and construction of the Project.

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

"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 2007 A Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

"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.

"First Lien Bonds" means, collectively, the Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds.

"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 defined in the Resolution, 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 defined in the resolution), any Tap Fees, as defined in the Resolution, or any Capacity Improvement Fees.

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

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2007 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth in the Resolution, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 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 defined in the Resolution.

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 2007 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2007 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 the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as defined in the Resolution), 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, Inc., Charleston, West Virginia, as the purchaser of the Series 2007 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2007 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 2007 A Bonds directly from the Issuer, as determined by a resolution supplemental thereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2007 A Bonds, as defined in the Resolution, 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 2007 A Bonds.

"Outstanding," when used with reference to the Series 2007 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 the 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 of the Resolution; 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.

"Parity 2007 Bonds," means, collectively, the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds, the Series 2007 E Bonds and the Series 2007 F Bonds.

"Paying Agent," initially, the West Virginia Municipal Bond Commission and any other paying agent or other entity designated as such for the Series 2007 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 of the Resolution.

"Prior Bonds" means, collectively, the Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds, the Series 2006 B Bonds, and the Series 1990 B Bonds, as defined in the Resolution.

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

"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.

"Purchase Price," for the purpose of computation of the Yield of the Series 2007 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 2007 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 2007 A Bonds of each maturity is sold or, if the Series 2007 A Bonds are privately placed, the price paid by the first buyer of the Series 2007 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 2007 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 2007 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 Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the West Virginia Code of 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is 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 2007 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 2007 A Bonds, and any successor thereto appointed in accordance with Section 8.08 of the Resolution.

"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 thereby.

"Reserve Accounts" means the respective Reserve Accounts established for the Series 2007 A Bonds and the Prior Bonds.

"Resolution" means the Resolution and all orders and resolutions supplemental thereto or amendatory thereof.

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

"RUS Resolution" means the Resolution adopted by the Issuer on February 20, 2007, authorizing the issuance of the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds, the Series 2007 E Bonds, and the Series 2007 F Bonds.

"Second Lien Bonds" means the Series 1990 B Bonds.

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

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (Bank Qualified), of the Issuer, originally authorized to be issued pursuant to the Resolution.

"Series 2007 A Bonds Construction Fund" means the Series 2007 A Bonds Construction Fund created by Section 4.01 of the Resolution.

"Series 2007 A Bonds Redemption Account" means the Series 2007 A Bonds Redemption Account created by Section 4.02 of the Resolution.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account created by Section 4.02 of the Resolution.

"Series 2007 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 2007 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2007 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2007 A Bonds.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund created by Section 4.02 of the Resolution.

"Series 2007 B Bonds" means the Sewer Revenue Bonds, Series 2007 B (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 C Bonds" means the Sewer Revenue Bonds, Series 2007 C (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 D Bonds" means the Sewer Revenue Bonds, Series 2007 D (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 E Bonds" means the Sewer Revenue Bonds, Series 2007 E (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 F Bonds" means the Sewer Revenue Bonds, Series 2007 F (United States Department of Agriculture), issued simultaneously therewith.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2007 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution amendatory thereof or supplemental thereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution to be adopted by the Issuer following adoption of the Resolution, setting forth the final amounts, maturities, interest rates and other terms of the Series 2007 A Bonds and authorizing the sale of the Series 2007 A Bonds to the Original Purchaser; 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 the 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, the Sinking Funds and the Reserve Accounts.

"System" means the complete public sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof, and all sewerage facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the sewerage system, 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 of the Resolution.

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 the Resolution as they are used. Accounting terms not specifically defined in the Resolution shall be given meaning in accordance with generally accepted accounting principles.

The terms "therein," "thereunder," "thereby," "thereto," "thereof" and any similar terms refer to the Resolution; and the term "thereafter" means after the date of adoption of the Resolution.

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

Disposition of Proceeds of Bond. Upon the issuance and delivery of the Series 2007 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2007 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2007 A Bonds Sinking Fund and applied to payment of interest on the Series 2007 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2007 A Bonds equal to the Series 2007 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2007 A Bonds Reserve Account, if funded by proceeds of the Series 2007 A Bonds, provided that, to the extent the Series 2007 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2007 A Bonds shall be used to purchase said reserve account letter of credit, surety bond or other credit facility and proceeds of the Series 2007 A Bonds shall be deposited in the Series 2007 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2007 A Bonds Reserve Requirement.

3. An amount of the proceeds of the Series 2007 A Bonds which shall be sufficient to pay the costs of issuance of the Series 2007 A Bonds 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 2007 A Bonds. 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 may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. 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 2007 A Bonds Construction Fund.

4. The balance of proceeds of the Series 2007 A Bonds, not used for any of the purposes set forth above, shall be deposited in the Series 2007 A Bonds Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay a portion of the costs of acquisition and construction of the Project and disbursed as provided in Section 3.15 of the Resolution.

Establishment of Funds and Accounts with Depository Bank. Pursuant to Article IV of the Resolution, the following special funds or accounts are thereby 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) Operation and Maintenance Fund (established by the Prior Resolutions);
- (3) Renewal and Replacement Fund (established by the Prior Resolutions);
- (4) CIF Surplus Fund (established by the CIF Resolutions);
- (5) Series 2007 A Bonds Construction Fund;
- (6) Costs of Issuance Fund; and
- (7) Rebate Fund.

Establishment of Funds and Accounts with Bond Commission. Pursuant to Article IV of the Resolution, the following special funds or accounts are thereby created with 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 2007 A Bonds Sinking Fund;
- (2) Within the Series 2007 A Bonds Sinking Fund, the Series 2007 A Bonds Redemption Account; and

(3) Series 2007 A Bonds Reserve Account.

System Revenues and Application Thereof. So long as any of the 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 the 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 provided in the Resolution.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary to pay the current 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 or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay interest on the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay interest on the Parity 2007 Bonds; and (iii) commencing 6 months prior to the first interest payment date on the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2007 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 2007 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 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds

Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay the principal of the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay the principal of the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, and in the Series 2007 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 2007 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 2007 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 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the respective Reserve Accounts (i) the amounts required under the Prior Resolutions to fund the respective reserves requirements for the First Lien Bonds; (ii) the amounts required under the RUS Resolution to fund the respective reserves requirements for the Parity 2007 Bonds; and (iii) commencing 12

months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article V of the Resolution. 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 monies from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Sinking Fund for the Second Lien Bonds the amount required under the Prior Resolutions to pay principal of the Second Lien Bonds.

(7) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Reserve Account for the Second Lien Bonds the amount required under the Prior Resolutions.

(8) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund the amount, if any, required by the CIF Resolutions to be deposited into the CIF Surplus Fund.

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

Monies in the Series 2007 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2007 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 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 2007 A Bonds Sinking Fund or the Series 2007 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2007 A Bonds issued pursuant to the Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2007 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2007 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 requirements therefor.

The payments into the Series 2007 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 the Resolution.

The Issuer shall restore any withdrawals from the Series 2007 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2007 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.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the First Lien Bonds, the Series 2007 A Bonds and the Parity 2007 Bonds, senior and prior to the principal, interest or reserve payments for the Second Lien Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is thereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account created thereunder, 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 therein.

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 all funds and accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

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, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments thereunder.

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.

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 the Resolution in Qualified Investments to the fullest extent possible under applicable laws, the Resolution, the need for such monies for the purposes set forth in the Resolution 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 2007 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 annually transfer from the Series 2007 A Bonds Reserve Account, pro rata, to the Series 2007 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 2007 A Bonds Reserve Account an amount at least equal to the Series 2007 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 2007 A Bonds Reserve Account, whereupon such account shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2007 A Bonds Reserve Account shall, at any time, be less than the Series 2007 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues in the order set forth in 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 2007 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 2007 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the West Virginia Code of 1931, as amended.

Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2007 A Bonds in such manner and to such extent as may be necessary, so that the Series 2007 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 2007 A Bonds) so that the interest on the Series 2007 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.

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 2007 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2007 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 the 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 therein to the contrary, shall be paid from investment earnings on the underlying fund or account established thereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything therein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge thereunder 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 2007 A Bonds from gross income for federal income tax purposes.

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.

Covenants Binding and Irrevocable. All the covenants, agreements and provisions of the 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 2007 A Bonds, as prescribed by Article VII of the Resolution. In addition to the other covenants, agreements and provisions of the Resolution, the Issuer thereby covenants and agrees with the Holders of the Series 2007 A Bonds, as provided in Article VI of the Resolution. All such covenants, agreements and provisions shall be irrevocable, except as provided in the Resolution, as long as any of the Series 2007 A Bonds, or the interest thereon, are Outstanding and unpaid.

Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution but shall be payable solely from the Net Revenues of the System, the monies in the Series 2007 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2007 A Bonds or monies in the Series 2007 A Bonds Construction Fund, all as therein provided. No Holder or Holders of the Series 2007 A Bonds issued thereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds, or the interest thereon.

Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Series 2007 A Bonds issued thereunder shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the First Lien Bonds and Parity 2007 Bonds, which lien and pledge are senior and prior to the lien on the Net Revenues in favor of the Holders of the Second Lien Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 2007 A Bonds authorized in the Resolution, and to make the payments into the Series 2007 A Bonds Sinking Fund, the Series 2007 A Bonds Reserve Account, and all other payments provided for in the Resolution, are thereby irrevocably pledged in the manner provided in the Resolution to the payment of the interest on and principal of the Series 2007 A Bonds authorized in the Resolution as the same become due and for the other purposes provided in the Resolution.

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 thereunder. 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 thereby 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 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2007 A Bonds, including the First Lien Bonds, the Parity 2007 Bonds and the Second Lien Bonds.

The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer either is or is not in compliance with the rate covenant contained in this Section 6.04. In the event that any audit contains a statement that the Issuer is not in compliance with the rate covenant contained in this Section 6.04, the Issuer thereby covenants that it shall, within sixty (60) days of receiving the audit report, file a request with the Public Service Commission of West Virginia for a rate increase sufficient to comply with the above-mentioned rate requirement.

Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer 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 said System in the manner provided in the Resolution.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 2007 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 the Resolution in accordance with Article IX of the Resolution. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2007 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2007 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 2007 A Bonds. Any balance remaining after the payment of the Series 2007 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 thereby 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 in the Resolution 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. 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 the 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. 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.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. 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 2007 A Bonds, except as provided in Section 6.08 of the Resolution. All obligations issued by the Issuer after the issuance of the Series 2007 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 2007 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 in the Resolution 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 2007 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 2007 A Bonds and the interest thereon, if any, in the Resolution, or upon the System or any part thereof.

Additional Parity Bonds. So long as the Prior Bonds and the Parity 2007 Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions and the RUS Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to the Resolution, except under the conditions and in the manner provided in the Resolution (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued thereunder shall be on a parity in all respects with the Series 2007 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 provided in the Resolution 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 the Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12-consecutive-month period 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, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

All covenants and other provisions of the 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 the Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the 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 2007 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 2007 A Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in the Resolution with respect to the Bonds then Outstanding, and any other payments provided for in the 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 the Resolution.

Insurance and Bonds. The Issuer thereby covenants and agrees, that so long as the Series 2007 A 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 in the Resolution 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.

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.

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 20 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 water 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 either System until all billing for charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, has been fully paid. If the water facilities are 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.

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.

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 Series 2007 A Bond 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 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 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 therein 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 the Resolution and shall file said report with the Original Purchaser.

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, and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

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 Department 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 Department 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 thereby 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.

Statutory Mortgage Lien. For the further protection of the Holders of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is thereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2007 A Bonds, pro rata, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the First Lien Bonds and the Parity 2007 Bonds, and senior and prior to the lien in favor of the Holders of the Second Lien Bonds.

Capital Improvements Payable from Capacity Improvement Fee Fund.

Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2007 A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in the Resolution or any Supplemental Resolution or in the Series 2007 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;

(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; or

(D) If default occurs with respect to the Prior Bonds and the Parity 2007 Bonds or the Prior Resolutions and RUS Resolution.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure to pay principal of or interest on the Bonds shall be an immediate event of default.

Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder 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 the Resolution;

(C) Bring suit upon the Series 2007 A 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 the Resolution or the rights of the Bondholders.

No remedy by the terms of the 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 thereunder or now or thereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2007 A Bonds shall be on a parity with one another and also on parity with those of the Holders of the First Lien Bonds and Parity 2007 Bonds, and senior and prior to those of the Holders of the Second Lien Bonds.

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 thereunder 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.

Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder 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 thereby established as provided in the Resolution 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 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 2007 A Bonds issued pursuant to the Resolution and interest thereon and under any covenants of the 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 the 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 therein 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 in the Resolution.

Any receiver appointed as provided in the Resolution 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 2007 A Bonds issued pursuant to the 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 the 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 the Resolution, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Resolution, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Financial Guaranty Insurance Policy were then in effect.

Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under the 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 thereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Series 2007 A 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 Resolution and the pledges of the Net Revenues and other monies and securities pledged thereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2007 A Bonds made thereunder, 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 2007 A Bonds from gross income for federal income tax purposes.

The Series 2007 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 2007 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 2007 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 2007 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2007 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 2007 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 2007 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 of the Resolution or such additional securities as shall be set forth in the Supplemental Resolution.

Amendment of Resolution. Prior to issuance of the Series 2007 A Bonds, the Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 A Bonds, the 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. No materially adverse amendment or modification to the 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 2007 A Bonds then Outstanding and affected thereby, 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 2007 A Bonds without the express written consent of the Holder of each Series 2007 A Bond so affected, nor

reduce the percentage of Series 2007 A Bonds required for consent to any such modification or amendment.

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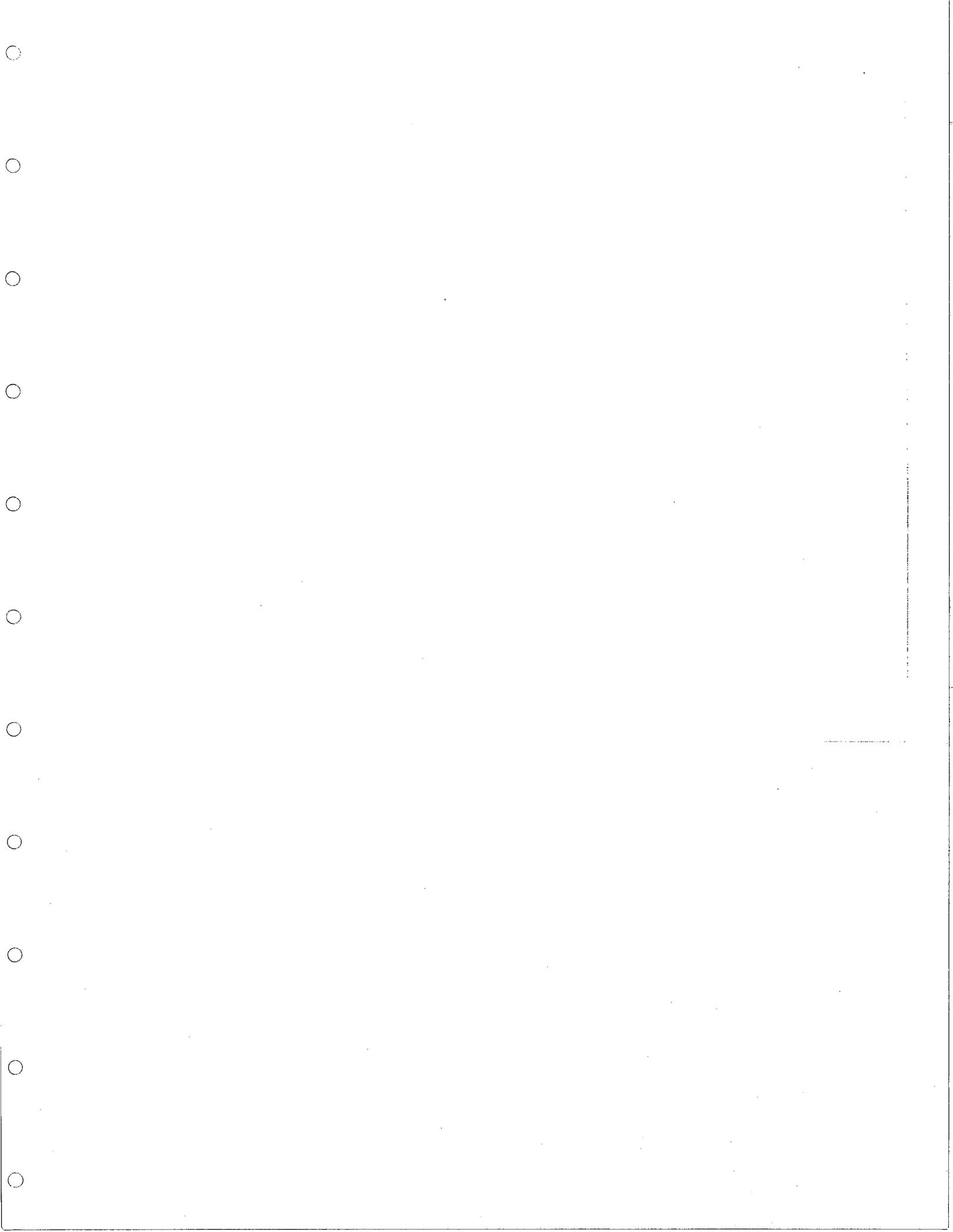
APPENDIX G

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Net Revenues as principal of and interest on the Series 2007 A Bonds and the amounts due on the First Lien Bonds, the Second Lien Bonds and the Parity 2007 Bonds.

DATE	First Lien Debt	Second Lien Debt	Series 2006A CIF Bonds	Series 2007A	Series 2007 - B, C, D, E & F	Total
06/30/2007	3,794,931	2,300	308,380			4,105,611
06/30/2008	3,952,528	2,300	1,180,269			5,135,097
06/30/2009	4,018,343	2,300	1,219,269			5,239,912
06/30/2010	4,022,603	2,300	1,216,519			5,241,422
06/30/2011	4,021,498	2,300	1,217,784			5,241,582
06/30/2012	4,025,021	2,300	1,213,066			5,240,387
06/30/2013	4,018,259	2,300	1,216,724			5,237,282
06/30/2014	4,021,212	2,300	1,213,785			5,237,296
06/30/2015	3,933,490	2,300	1,214,595			5,150,385
06/30/2016	3,790,138	2,300	1,213,710			5,006,147
06/30/2017	3,477,689	2,300	1,210,920			4,690,909
06/30/2018	3,367,924	2,300	1,210,125			4,580,348
06/30/2019	3,330,791	2,300	1,206,500			4,539,591
06/30/2020	3,293,121	2,300	1,206,000			4,501,421
06/30/2021	3,287,188	2,300	1,208,375			4,497,863
06/30/2022	3,269,346	2,300	1,203,625			4,475,271
06/30/2023	3,267,673	2,300	1,201,750			4,471,723
06/30/2024	3,265,349	2,300	1,202,500			4,470,149
06/30/2025	3,222,461	2,300	1,200,750			4,425,510
06/30/2026	3,139,517	2,300	1,201,375			4,343,192
06/30/2027	2,842,590	2,300	1,199,250			4,044,140
06/30/2028	2,842,588	2,300	-			2,844,888
06/30/2029	2,836,842	2,108	-			2,838,950
06/30/2030	2,217,256	-	-			2,217,256
06/30/2031	1,629,241	-	-			1,629,241
06/30/2032	1,545,270	-	-			1,545,270
06/30/2033	1,491,655	-	-			1,491,655
06/30/2034	1,466,156	-	-			1,466,156
06/30/2035	597,510	-	-			597,510
06/30/2036	426,197	-	-			426,197
06/30/2037	426,190	-	-			426,190
06/30/2038	426,182	-	-			426,182
06/30/2039	426,174	-	-			426,174
06/30/2040	148,571	-	-			148,571
06/30/2041	60,328	-	-			60,328
06/30/2042	6,165	-	-			6,165
06/30/2043	-	-	-			-
06/30/2044	-	-	-			-
06/30/2045	-	-	-			-
06/30/2046	-	-	-			-
06/30/2047	-	-	-			-
Total	91,907,995	52,705	24,465,270			116,425,970

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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 2007 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 2007 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 2007 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 2007 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia (see "Tax Matters" herein).

\$3,970,000
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BONDS
SERIES 2007 A (BANK-QUALIFIED)

Dated: March 1, 2007

Due: March 1, as shown below

The Series 2007 A Bonds (the "Series 2007 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 2007 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 2007 A Bonds will be in book-entry form only. Semiannual interest on the Series 2007 Bonds is payable beginning September 1, 2007, and each March 1 and September 1 thereafter. So long as the Series 2007 A Bonds are maintained under a book-entry system, payments of the principal of, premium, if any, and interest on the Series 2007 A Bonds will be made when due by the West Virginia Municipal Bond Commission, 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 2007 A Bonds. See "THE SERIES 2007 A BONDS" and "BOOK-ENTRY ONLY SYSTEM."

The Series 2007 A Bonds are being issued by the Berkeley County Public Service Sewer District (the "District"), together with proceeds of the District's Sewer Revenue Bonds, Series 2007 B, Series 2007 C, Series 2007 D, Series 2007 E and Series 2007 F (collectively, the "Parity 2007 Bonds"), issued to the United States Department of Agriculture simultaneously with the issuance of the Series 2007 A Bonds to: (i) construct the North Berkeley Sewer Project Phase I and (ii) pay certain costs of issuance of the Series 2007 A Bonds and related costs.

The Series 2007 A Bonds are payable from and 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 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account therein on parity with the outstanding First Lien Bonds and Parity 2007 Bonds and senior and prior to the Second Lien Bonds, as more fully described herein. The Series 2007 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 2007 A Bonds, except from the Net Revenues and such funds on deposit. THE DISTRICT HAS NO TAXING POWERS.

The Series 2007 A Bonds are subject to optional, mandatory and special redemption prior to maturity as described herein.

The District has designated the Series 2007 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIPS

\$205,000	4.100%	Term Bonds, Due March 1, 2012 at	100.000%	CUSIP 084249 BR1
\$250,000	4.300%	Term Bonds, Due March 1, 2017 at	100.000%	CUSIP 084249 BS9
\$305,000	4.500%	Term Bonds, Due March 1, 2022 at	100.000%	CUSIP 084249 BT7
\$385,000	4.625%	Term Bonds, Due March 1, 2027 at	99.418%	CUSIP 084249 BU4
\$1,080,000	4.650%	Term Bonds, Due March 1, 2037 at	97.939%	CUSIP 084249 BV2
\$1,745,000	5.000%	Term Bonds, Due March 1, 2047 at	101.571%*	CUSIP 084249 BW0

(Accrued interest to be added)

*Bond priced to the March 1, 2017 optional par call to yield 4.80%

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 2007 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. William F. Rohrbaugh, Martinsburg, 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. Jackson Kelly PLLC, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2007 A Bonds will be available for delivery at The Depository Trust Company in New York, New York, on or about March 6, 2007.

Dated: February 23, 2007

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT, WEST VIRGINIA

PUBLIC SERVICE BOARD

John C. Kunkle, Chairman
John E. Myers, Secretary
Ronald K. Collins, Treasurer

BOND COUNSEL

Steptoe & Johnson PLLC
Charleston, West Virginia

ACCOUNTANT

Yount, Hyde & Barbour, P.C.
Winchester, Virginia

UNDERWRITER

Crews & Associates, Inc.
Charleston, West Virginia
Little Rock, Arkansas

UNDERWRITER'S COUNSEL

Jackson Kelly PLLC
Charleston, West Virginia

PAYING AGENT

West Virginia Municipal Bond Commission
Charleston, 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 2007 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 Berkeley County Public Service Sewer 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 Berkeley County Public Service Sewer 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 Berkeley County Public Service Sewer 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.

The information contained in this Official Statement has been obtained from the District and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by any of the foregoing. The presentation of such information is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions 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 the District.

Forward-Looking Statements

This Official Statement, and particularly the information contained in the caption "THE PROJECT" and "APPENDIX B—THE DISTRICT AND THE SYSTEM" contain statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see the information under "INVESTMENT CONSIDERATIONS."

The following sentence has been provided by the Underwriter for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Series 2007 A Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has determined or confirmed the accuracy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 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.

* CUSIP data on the cover page is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers on the cover page hereof are being provided solely for the convenience of the Owners of the Series 2007 A Bonds only at the time of issuance of the Series 2007 A Bonds and neither the Underwriter nor the District make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific

maturity is subject to being changed after the issuance of the Series 2007 A Bonds.

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OFFICIAL STATEMENT
\$3,970,000
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BONDS
SERIES 2007 A (BANK-QUALIFIED)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Berkeley County Public Service Sewer District, West Virginia (the "District"), the District's sewer system hereinafter described and the District's \$3,970,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 A (the "Series 2007 A Bonds"). The Series 2007 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 February 20, 2007 (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"). Capitalized terms not defined herein shall have the meanings set forth in the Resolution. See APPENDIX F--SUMMARY OF THE RESOLUTION."

The proceeds of the Series 2007 A Bonds, together with the proceeds of the Parity 2007 Bonds, as defined herein, will be used as follows: (i) to construct the North Berkeley Sewer Project Phase I (the "Project") and (ii) to pay certain costs of issuance of the Series 2007 A Bonds and related costs. The Series 2007 A Bonds are being issued concurrently with the District's \$9,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 B (United States Department of Agriculture) (the "Series 2007 B Bonds"), \$9,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 C (United States Department of Agriculture) (the "Series 2007 C Bonds"), \$7,104,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 D (United States Department of Agriculture) (the "Series 2007 D Bonds"), \$500,000 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 E (United States Department of Agriculture) (the "Series 2007 E Bonds") and \$4,999,900 in aggregate principal amount of Sewer Revenue Bonds, Series 2007 F (United States Department of Agriculture) (the "Series 2007 F Bonds," and together with the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds and the Series 2007 E Bonds, the "Parity 2007 Bonds;" the Parity 2007 Bonds and the Series 2007 A Bonds are hereinafter referred to together as the "Series 2007 Bonds").

To fund the acquisition and construction of the System, the District has previously issued in excess of \$115,812,000 in bonds of which \$79,150,411 are secured by Net Revenues of the System. The following bonds (and the December 31, 2006 balances) are payable from the Net Revenues of the System:

- (1) Sewer Revenue Bonds, 1986 B, dated March 7, 1986, issued in the original aggregate principal amount of \$1,638,194, of which approximately \$819,097 is currently outstanding (the "Series 1986 B Bonds")
- (2) Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, issued in the original aggregate principal amount of \$828,629 of which approximately \$720,744 is currently outstanding (the "Series 1990 A Bonds")
- (3) Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, issued in the original aggregate principal amount of \$38,669 of which approximately \$22,805 is currently outstanding (the "Series 1990 B Bonds")
- (4) Sewer Revenue Bonds, Series 1994 A, dated October 5, 1994, issued in the original aggregate principal amount of \$494,288 of which approximately \$446,901 is currently outstanding (the "Series 1994 A Bonds")
- (5) Sewer Revenue Bonds, Series 1994 C, dated November 17, 1994, issued in the original aggregate principal amount of \$2,772,879 of which approximately \$1,247,795 is currently outstanding (the "Series 1994 C Bonds")
- (6) Sewer Revenue Bonds, Series 1995 A, dated February 9, 1995, issued in the original aggregate principal amount of \$3,837,640 of which approximately \$1,774,890 is currently outstanding (the "Series 1995 A Bonds")
- (7) Sewer Revenue Bonds, Series 1995 B, dated December 29, 1995, issued in the original aggregate principal amount of \$2,138,506 of which approximately \$989,047 is currently outstanding (the "Series 1995 B Bonds")
- (8) Sewer Revenue Bonds, Series 1996 A, dated February 13, 1996, issued in the original aggregate principal amount of \$319,902 of which approximately \$147,945 is currently outstanding (the "Series 1996 A Bonds")
- (9) Sewer Revenue Bonds, Series 1996 B, dated May 1, 1996, issued in the original aggregate principal amount of \$2,628,633 of which approximately \$1,314,313 is currently outstanding (the "Series 1996 B Bonds")
- (10) Sewer Revenue Bonds, Series 1996 C, dated May 1, 1996, issued in the original aggregate principal amount of \$837,579 of which approximately \$418,779 is currently outstanding (the "Series 1996 C Bonds")
- (11) Sewer Revenue Bonds, Series 1997 A, dated June 12, 1997, issued in the original aggregate principal amount of \$148,000 of which approximately \$86,830 is currently outstanding (the "Series 1997 A Bonds")
- (12) Sewer Revenue Bonds, Series 1997 B, dated December 11, 1997, issued in the original aggregate principal amount of \$1,250,000 of which approximately \$808,868 is currently outstanding (the "Series 1997 B Bonds")
- (13) Sewer Revenue Bonds, Series 1999 A, dated October 28, 1999, issued in the original aggregate principal amount of \$30,707,296 of which approximately \$25,677,646 is currently outstanding (the "Series 1999 A Bonds")
- (14) Sewer Revenue Bonds, Series 2000 A, dated May 25, 2000, issued in the original aggregate principal amount of \$937,500 of which approximately \$742,175 is currently outstanding (the "Series 2000 A Bonds")
- (15) Sewer Revenue Bonds, Series 2001 A, dated March 30, 2001, issued in the original aggregate principal amount of \$429,000 of which approximately \$322,929 is currently outstanding (the "Series 2001 A Bonds")

- (16) Sewer Revenue Bonds, Series 2001 B, dated August 7, 2001, issued in the original aggregate principal amount of \$2,909,850 of which approximately \$2,424,870 is currently outstanding (the "Series 2001 B Bonds")
- (17) Sewer Revenue Bonds, Series 2002 A, dated May 9, 2002, issued in the original aggregate principal amount of \$750,000 of which approximately \$643,750 is currently outstanding (the "Series 2002 A Bonds")
- (18) Sewer Revenue Bonds, Series 2002 B, dated July 11, 2002, issued in the original aggregate principal amount of \$456,548 of which approximately \$391,863 is currently outstanding (the "Series 2002 B Bonds")
- (19) Sewer Revenue Bonds, Series 2002 C, dated August 28, 2002, issued in the original aggregate principal amount of \$30,500,000 of which approximately \$28,414,528 is currently outstanding (the "Series 2002 C Bonds")
- (20) Sewer Revenue Bonds, Series 2002 D, dated August 28, 2002, issued in the original aggregate principal amount of \$4,965,465 of which approximately \$4,869,783 is currently outstanding (the "Series 2002 D Bonds")
- (21) Sewer Revenue Bonds, Series 2002 E, dated August 28, 2002, issued in the original aggregate principal amount of \$560,822 of which approximately \$551,331 is currently outstanding (the "Series 2002 E Bonds")
- (22) Sewer Revenue Bonds, Series 2003 A, dated August 14, 2003, issued in the original aggregate principal amount of \$252,922 of which approximately \$221,108 is currently outstanding (the "Series 2003 A Bonds")
- (23) Sewer Revenue Bonds, Series 2003 B, dated August 14, 2003, issued in the original aggregate principal amount of \$330,862 of which approximately \$289,243 is currently outstanding (the "Series 2003 B Bonds")
- (24) Sewer Revenue Bonds, Series 2004 A, dated November 30, 2004, issued in the original aggregate principal amount of \$1,999,600 of which approximately \$1,898,171 is currently outstanding (the "Series 2004 A Bonds")
- (25) Sewer Refunding Revenue Bonds, Series 2006 A, dated October 19, 2006, issued in the original aggregate principal amount of \$3,665,000 of which approximately \$3,665,000 is currently outstanding (the "Series 2006 A Bonds")
- (26) Sewer Refunding Revenue Bonds, Series 2006 B, dated October 19, 2006, issued in the original aggregate principal amount of \$240,000 of which approximately \$240,000 is currently outstanding (the "Series 2006 B Bonds")

The Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1990 B Bonds are hereinafter called the "Second Lien Bonds."

The District also has outstanding its Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued and outstanding in the original aggregate principal amount of \$15,405,000 (the "CIF Bonds"). The CIF Bonds are payable solely from and are secured solely by the Capacity Improvement Fee collected by the District and the Surplus Revenues of the System and are not be payable from or secured by the Net Revenues of the System.

The Series 2007 A Bonds are payable from and secured by the Net Revenues, as defined in the Resolution, derived from the existing sewer collection and treatment system of the District and any extensions, improvements or betterments thereto, including the Project (the "System") and from funds on deposit in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account therein on parity with the First Lien Bonds and the Parity 2007 Bonds and senior and prior to the Second Lien Bonds. The Series 2007 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 2007 A Bonds or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit. See "SECURITY FOR THE SERIES 2007 A BONDS."

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 equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2007 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 2007 A Bonds, including the First Lien Bonds and the Parity 2007 Bonds. See "SECURITY FOR THE SERIES 2007 A BONDS – RATE COVENANT" and "APPENDIX F--SUMMARY OF THE RESOLUTION."

The Series 2007 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 2007 A BONDS" herein. The Series 2007 A Bonds initially will be maintained under a book-entry system. So long as the Series 2007 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 2007 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 2007 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Bond Commission" or the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, 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 2007 A BONDS" herein.

For a description of the exclusion of interest on the Series 2007 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 First Lien Bonds, the Series 2007 A Bonds and the Parity 2007 Bonds and senior and prior to the Second Lien 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. See "SECURITY FOR THE SERIES 2007 A BONDS - ADDITIONAL PARITY BONDS" See "APPENDIX F—SUMMARY OF THE RESOLUTION."

Brief descriptions of the Series 2007 A Bonds, the Resolution, the Project, the District and certain provisions of the Resolution and the Act 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 2007 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 2007 A Bonds, from the Underwriter.

THE PROJECT

The North Berkeley Sewer Project Phase I consists of the construction and acquisition of an 1,000,000 gallon per day Sequencing Batch Reactor wastewater treatment plant and approximately 40 miles of gravity sewer mains and force mains in the Spring Mills, Hainesville, Bedington, Bessemer and Berkeley Station areas of Berkeley County, and all appurtenant facilities with a total project cost of approximately \$34,568,900 (the "Project"). The District supports its current customer base of approximately 15,566 customers and the approximately 1,647 new customers to be added as a result of the Project will generate sufficient revenues to pay for the additional debt service without a rate increase. The Public Service Commission of West Virginia (the "PSC") entered an order granting a certificate of convenience and necessity for the construction, operation and maintenance of the Project on September 14, 2006. Bids for construction of the Project were opened on December 20 and 21, 2006. The contract term for construction of the Project is 360 days. The District expects construction to start on or about March 8, 2007.

In addition to the issuance of the Series 2007 A Bonds, the District is issuing its Parity 2007 Bonds to secure approximately \$30,603,900 from the United States Department of Agriculture, Rural Utilities Service for this Project. The Series 2007 A Bonds will be on a parity with the First Lien Bonds and the Parity 2007 Bonds.

FINANCING PLAN

Estimated Sources and Uses of Funds for the Series 2007 A Bonds:

Sources of Funds:

Principal Amount of Series 2007 A Bonds	\$3,970,000.00
Accrued Interest on the Series 2007 A Bonds	2,613.28
Reoffering Premium on the Series 2007 A Bonds	<u>2,914.45</u>
Total Sources	<u>\$3,975,527.73</u>

Uses of Funds:

Deposit to the Series 2007 A Bonds Construction Trust Fund	\$3,852,906.00
Underwriter's Discount for Series 2007 A Bonds	79,400.00
Deposit to the Series 2007 A Debt Service Fund	2,613.28
Costs of Issuance (1)	<u>40,608.45</u>
Total Uses	<u>\$3,975,527.73</u>

1) Includes legal and financing fees, printing costs, rating fees and other miscellaneous expenses relating to the issuance of the Series 2007 A Bonds.

Estimated Sources and Uses of Funds for the Parity 2007 Bonds

Sources of Funds:

Principal Amount of Series 2007 B Bonds	\$9,000,000.00
Principal Amount of Series 2007 C Bonds	9,000,000.00
Principal Amount of Series 2007 D Bonds	7,104,000.00
Principal Amount of Series 2007 E Bonds	500,000.00
Principal Amount of Series 2007 F Bonds	<u>4,999,900.00</u>
Total Sources	<u>\$30,603,900.00</u>

Uses of Funds:

Deposit to the Parity 2007 Bonds Construction Trust Fund	\$28,990,900.00
Capitalized Interest	1,563,000.00
Costs of Issuance (1)	<u>50,000.00</u>
Total Uses	<u>\$30,603,900.00</u>

1) Includes legal and financing fees, printing costs, rating fees and other miscellaneous expenses relating to the issuance of the Parity 2007 Bonds.

THE SERIES 2007 A BONDS

General

The Series 2007 A Bonds are dated and shall bear interest from the date of delivery. Any Series 2007 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 2007 A Bond shall have been paid in full or duly provided for, in which case said Series 2007 A Bond shall be dated such date of authentication; or unless, as shown by the records of United Bank, Inc., Charleston, West Virginia (the "Registrar"), as defined below, interest on such Series 2007 A Bond shall be in default, in which case any Series 2007 A Bond issued in exchange for a Series 2007 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2007 A Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing September 1, 2007, 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. Interest accruing on the Series 2007 A Bonds shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"), to the registered owner as of the applicable Record Date (each February 15 and August 15) or, in the event of a default in the payment of Series 2007 A Bonds, that special record date to be fixed by the 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 District maintained 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 for payment at the office of the Paying Agent.

The Series 2007 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 2007 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2007 A Bonds and payments of principal of, redemption price, if any, and interest on the Series 2007 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2007 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 2007 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 2007 A Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

Special Redemption

The Series 2007 Bonds are subject to redemption at the option and direction of the District, prior to maturity, in whole or in part from time to time on any Interest Payment Date, with the 2037 Term Bonds being called first, the 2027 Term Bonds being called second and the 2017 Term Bonds being called last, by lot within a maturity, in principal amounts of \$100,000, and multiples of \$5,000 in excess of \$100,000, from amounts deposited with the Bond Trustee by the District from funds of the District available therefore (other than proceeds of refunding bonds or loan proceeds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption

The Series 2007 A Bonds are subject to optional redemption by the Issuer, without premium or penalty, at the direction of the District, on and after March 1, 2017, in whole or in part on any Interest Payment Date (and if in part, the District shall select the maturities of the Series 2007 A Bonds to be redeemed in such order of maturity as the District shall specify and within a maturity by lot or by such other method as the Bond Trustee determines in its sole discretion to be fair and reasonable and in denominations of \$5,000 and integral multiples thereof), at the redemption price of 100% of the principal amount thereof being redeemed, together with accrued interest, if any, to the date fixed for redemption.

If fewer than all of the Series 2007 A Bonds shall be called for optional redemption, the particular maturities of the Series 2007 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2007 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2007 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Mandatory Sinking Fund Redemption

The Series 2007 A Bonds maturing on March 1, 2012, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2008	\$40,000
2009	\$40,000
2010	\$40,000
2011	\$40,000
2012 (maturity)	\$45,000

The principal amount of the Series 2007 A Bonds maturing March 1, 2012, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of

Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2017, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2013	\$45,000
2014	\$50,000
2015	\$50,000
2016	\$50,000
2017 (maturity)	\$55,000

The principal amount of the Series 2007 A Bonds maturing March 1, 2017, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2022, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2018	\$55,000
2019	\$60,000
2020	\$60,000
2021	\$65,000
2022 (maturity)	\$65,000

The principal amount of the Series 2007 A Bonds maturing March 1, 2022, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2027, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2023	\$70,000
2024	\$75,000
2025	\$75,000
2026	\$80,000
2027 (maturity)	\$85,000

The principal amount of the Series 2007 A Bonds maturing March 1, 2027, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2037, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2028	\$90,000
2029	\$90,000
2030	\$95,000
2031	\$100,000
2032	\$105,000
2033	\$110,000
2034	\$115,000
2035	\$120,000
2036	\$125,000
2037 (maturity)	\$130,000

The principal amount of the Series 2007 A Bonds maturing March 1, 2037, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

The Series 2007 A Bonds maturing on March 1, 2047, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2038	\$140,000
2039	\$145,000
2040	\$155,000
2041	\$160,000
2042	\$170,000
2043	\$175,000
2044	\$185,000
2045	\$195,000
2046	\$205,000
2047 (maturity)	\$215,000

The principal amount of the Series 2007 A Bonds maturing March 1, 2047, delivered to or purchased by the Paying Agent shall reduce pro tanto the principal amount of Series 2007 A Bonds to be redeemed on the mandatory redemption date with such maturity next following such delivery or purchase.

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 Redemption

So long as the Series 2007 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2007 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 2007 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2007 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 2007 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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2007 A Bonds (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 the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 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, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, 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 and www.dtc.org.

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 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 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.

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 such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the 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 Paying 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, Paying Agent, or the District, 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 the District or Paying 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. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE INFORMATION PROVIDED IMMEDIATELY ABOVE UNDER THIS HEADING HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE DISTRICT OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the District and the Paying Agent will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting.

Under the Resolution, payments made by the Paying Agent to DTC or its nominee shall satisfy the District's obligation under the Resolution to the extent of the payments so made.

Neither the District nor the Paying Agent shall have any responsibility or obligation to any DTC Participant or Indirect Participant with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC participant or indirect participant with respect to any beneficial ownership interest in any bonds;
- (ii) the delivery to any DTC participant or indirect participant or any other person, other than the registered owner of a bond, as shown in the bond register, of any

- notice with respect to any bond, including, without limitation, any notice of redemption;
- (iii) the selection by DTC or any DTC participant or indirect participant of any person to receive payment in the event of a partial redemption of bonds;
 - (iv) the payment to any DTC participant or indirect participant or any other person other than the registered owner of a bond, as shown in the bond register, of any amount with respect to the principal of, redemption price, or interest on, any bond; or
 - (v) any consent given by DTC as registered owner.

Prior to the discontinuation of the book-entry only system as described above, the District and the Paying Agent may treat DTC and any successor securities depository to be the absolute owner of the bonds for all purposes, including, without limitation:

- (i) The payment of principal of redemption price or interest on the bonds;
- (ii) giving notices of redemption and other matters with respect to the bonds;
- (iii) registering transfers with respect to the bonds; and
- (iv) the selection of bonds for redemption.

The Beneficial Owners of the Bonds have no right to a securities depository for the Bonds. DTC or any successor securities depository may resign as depository for the Bonds by giving notice to the Paying Agent and discharging its responsibilities under applicable law. In addition, the District may remove DTC or a successor securities depository for any reason at any time. In such event, the District shall (i) appoint a securities depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, notify the prior securities depository of the appointment of such successor depository and transfer separate bond certificates to such successor securities depository or (ii) notify the securities depository of the availability through the securities depository of bond certificates and transfer one or more separate bond certificates to Depository Participants having Bonds credited to their accounts at the securities depository. In such event, such Bonds shall no longer be restricted to being registered in the registration books of the District in the name of the securities depository or its nominee, but may be registered in the name of the successor securities depository or its nominee, or in whatever name or names the Depository Participants receiving such Bonds shall designate, in accordance with the provisions of the Resolution.

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the District determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the Beneficial Owners. In either such event (unless the District appoints a successor securities depository), Bonds will then 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 District or the Paying Agent for the accuracy of such designation. Whenever DTC requests the District or the Paying Agent to do so, the District or the Paying Agent 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 2007 A Bonds.

SECURITY FOR THE SERIES 2007 A BONDS

The Series 2007 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 2007 A Bonds except from said sources.

Sources of Payment

The payment of the debt service on the Series 2007 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 on parity with the First Lien Bonds and the Parity 2007 Bonds and senior and prior to the Second Lien Bonds and the funds on deposit in the Series 2007 A Bonds Sinking Fund and the Series 2007 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 2007 A Bonds and to make the payments into the Series 2007 A Bonds Sinking Funds and all other payments provided for in the Resolution, and the funds in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2007 A Bonds as the same become due and for the other purposes provided in the Resolution. See "APPENDIX F—SUMMARY OF 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 equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the First Lien Bonds and the Parity 2007 Bonds. See "APPENDIX F--SUMMARY OF THE RESOLUTION."

Series 2007 A Bonds Reserve Account

The Series 2007 A Bonds Reserve Account will be funded in equal monthly installments over a 120 month period until the balance is equal to the Series 2007 A Bonds Reserve Requirement. In the event funds in the Series 2007 A Bonds Sinking Fund is insufficient to pay the principal of and/or interest on the Series 2007 A Bonds, the Bond Commission shall withdraw from the Series 2007 A Bonds Reserve Account and transfer to the Series 2007 A Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2007 A Bonds as the same becomes due from cash on deposit in the Series 2007 A Bonds Reserve Account.

In the event of a transfer from the Series 2007 A Bonds Reserve Account to the Series 2007 A Bonds Sinking Funds as aforesaid, the District shall restore the balance to the Series 2007 A Bonds Reserve Account in an amount up to the Series 2007 A Bonds Reserve Requirement. The District shall restore any withdrawals from the Series 2007 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2007 A Bonds Reserve Requirement, from the first Net Revenues available after all required payments have been made in full in the order set forth in the Resolution. See "APPENDIX F—SUMMARY OF THE RESOLUTION."

Application of Revenues

All Gross Revenues derived from the operation of the System are to be deposited in the Revenue Fund for use by the District for the Operating Expenses of the System. The District shall apply the revenues of the System as follows: first, the District shall each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary to pay the current Operating Expenses of the System; second, the District shall on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay interest on the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay interest on the Parity 2007 Bonds; and (iii) commencing 6 months prior to the first interest payment date on the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2007 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 2007 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 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund; third, the District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay the principal of the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay the principal of the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, and in the Series 2007 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 2007 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 2007 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 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding clause; fourth, the District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the respective Reserve Accounts (i) the amounts required under the Prior Resolutions to fund the respective reserves requirements for the First Lien Bonds; (ii) the amounts required under the RUS Resolution to fund the respective reserves requirements for the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; fifth, the District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account; sixth, the District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Sinking Fund for the Second Lien Bonds the amount required under the Prior Resolutions to pay principal of the Second Lien Bonds; seventh, the District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Reserve Account for the Second Lien Bonds the amount required under the Prior Resolutions; and eighth, the District shall next, on the first day of each month, transfer from the Revenue Fund the amount, if any, required by the CIF Resolutions to be deposited into the CIF Surplus Fund.

Any monies remaining in the Revenue Fund and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose. See "APPENDIX F--SUMMARY OF THE RESOLUTION."

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

So long as the First Lien Bonds, the Second Lien Bonds and the Parity 2007 Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions and the RUS Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to the Resolution, except under the conditions and in the manner therein provided (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued under the Resolution shall be on a parity in all respects with the Series 2007 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 of the District 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 the Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such

additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountant, on account of increased rates, rentals, fees and charges for the System adopted by the District, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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 2007 A Bonds on such revenues. The District 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 2007 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, 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 District shall then be in full compliance with all the covenants, agreements and terms of the Resolution.. See “Appendix F—SUMMARY OF THE RESOLUTION.”

THE DISTRICT AND THE SYSTEM

The District is a public corporation created under authority of The County Commission of Berkeley County, West Virginia (the “County Commission”), on April 10, 1979, pursuant to Chapter 16, Article 13A, Section 2 of the Code of West Virginia of 1931, as amended. The District’s Board of Directors is composed of three members appointed by the County Commission. The District is responsible for providing sewerage services for all of Berkeley County except for the City of Martinsburg. The District serves approximately 15,566 residential and 563 commercial customers.

For additional information regarding the County, see Appendix A—“Economic and Demographic Information Regarding Berkeley County, West Virginia,” herein. For information regarding the District and the District’s System, see Appendix B—“THE DISTRICT AND THE SYSTEM,” herein.

INVESTMENT CONSIDERATIONS

The District does not have direct control over the Net Revenues it produces. The District’s rates and charges are set by the PSC following a public notice and review process. The District cannot automatically increase rates, thereby increasing Net Revenues if customer numbers or customer usage decline or if operation and maintenance expenses increase significantly.

The District may and anticipates issuing additional bonds secured by the Net Revenues of the System, provided that the coverage and parity tests for the Series 2007 A Bonds,

the Parity 2007 Bonds, the First Lien Bonds and the Second Lien Bonds are satisfied. The District is not required to obtain the consent of the owners of the Series 2007 A Bonds to the issuance of obligations secured by Net Revenues. However, the coverage and parity tests contained in the Resolutions authorizing the Series 2007 A Bonds must be met in order for the District to issue additional obligations secured by Net Revenues.

If Net Revenues are not sufficient to cover the debt service on the Series 2007 A Bonds, then the District must request an increase in rates from the PSC. There can be no assurance that the PSC will increase rates and charges to a level sufficient to generate revenue sufficient to pay the debt service on the Series 2007 A Bonds.

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 2007 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 2007 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the current laws of the State of West Virginia, the Series 2007 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 2007 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

Pursuant to Section 265(b)(3)(D)(ii) of the Code, the Series 2007 A Bonds have been designated by the District as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. Therefore, the Series 2007 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 2007 A Bonds. Accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2007 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 2007 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 2007 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 2007 A Bonds.

The accrual or receipt of the interest on the Series 2007 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 2007 A Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2007 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. William F. Rohrbaugh, Martinsburg, West Virginia, Counsel for the District, will pass upon certain legal matters for the District, including proceedings regarding the PSC. Jackson Kelly PLLC, 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 2007 A Bonds, the Project, the Resolution or any agreement to which the District is a party and which is a part of the issuance of the Series 2007 A Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2007 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 2007 A BONDS - General."

UNDERWRITING

The Underwriter named on the cover of this Official Statement is purchasing the Series 2007 A Bonds. The Purchase Contract provides that the Underwriter will purchase all the Series 2007 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 \$79,400. 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 2007 A Bonds to certain dealers (including dealers depositing Series 2007 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 C are the audited financial statements of the District as of and for the fiscal year ended June 30, 2006, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2006. See Appendix C—"Financial Statements."

CONTINUING DISCLOSURE

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2007 A Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2007 A Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than three hundred sixty-five (365) days following the end of the fiscal year of the District, commencing in 2007, 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. See Appendix E—"FORM OF CONTINUING DISCLOSURE AGREEMENT."

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 2007 A Bonds. Registered Owners may contact the District's General Manager at P.O. Box 944, Martinsburg, West Virginia 25401, (304) 263-8566, 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.

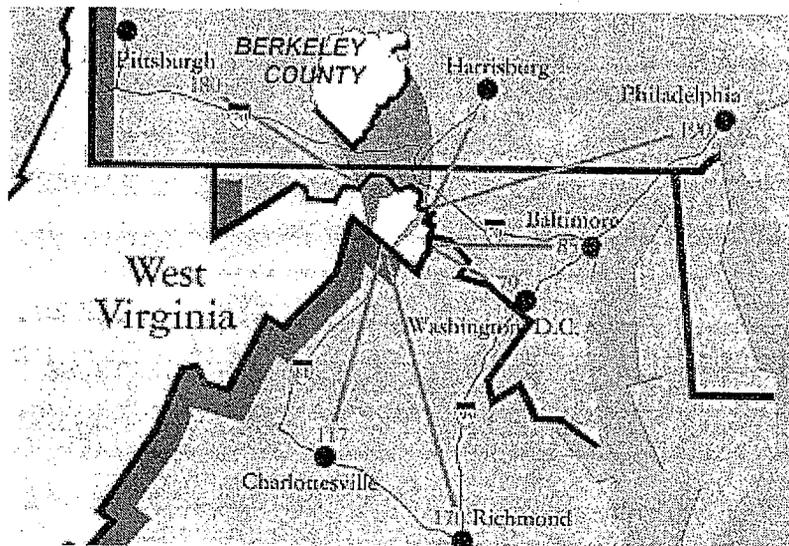
Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2007 A Bonds. The District has authorized the execution and distribution of this Official Statement.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

By: /s/ John C. Kunkle
Chairman

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING BERKELEY COUNTY, WEST VIRGINIA

The Eastern Panhandle of West Virginia is the home of Berkeley County. It is located partly in the Great Appalachian Valley. It is bounded on the northeast by the Potomac River. Dairy products, livestock, and fruit farms make up some of the economic base of the County. There also is some limestone quarrying. The area is home to a diverse manufacturing and industrial base as well. A number of federal agencies have opened up offices in Berkeley County, including the Internal Revenue Service, United States National Guard, the United States Coast Guard and the Veterans Administration.



Nearby Metropolitan Cities Distance (miles)

Washington, DC:	79 miles
Baltimore, MD:	85 miles
Harrisburg, PA:	93 miles

Berkeley County was one of the first settled areas of the State of West Virginia. Quakers and Scotch-Irish Presbyterians, as well as the English and Dutch, became the residents here in the early 1700's. Berkeley County was formed from Frederick County, Virginia, in 1772 and is named for Lord Norborne Berkeley. The county seat was established in the colonial village of Martinsburg, named for Thomas Bryan Martin and was incorporated in 1778.

The arrival of B&O Railroad in the 1840's gave Martinsburg and Berkeley County a big boost. The town of Martinsburg changed hands over 50 times in the Civil War. The North was determined to keep control of the valuable railroads, and the South was determined to destroy them. Confederate troops destroyed them, and Union troops repaired them nine times.

Martinsburg was also home to famous Civil War spy, Belle Boyd. Belle Boyd secretly passed information to General Jackson regarding troop movement. Belle Boyd's house has been turned into a museum that is operated by the Berkeley County Historical Society.

In 1872 the Pennsylvania Railroad came to the area, and it, along with the B&O Railroad, gave the area an excellent transportation base. At the time, a major source of the area's income came from selling flour produced by the area's water-powered mills to the Alexandria and Baltimore markets. Electricity, replacing waterpower, soon followed and the area became a large textile-milling center. In the late 1940's, Martinsburg experienced a series of changes in businesses which served as the commercial foundation for the town. It is at present in another rebirth, as more high-tech industries and governmental agencies locate in the county.

In the fall of 1992, the U.S. Census Bureau established Berkeley County as part of the Washington, D.C./Baltimore, Maryland Standard Metropolitan Statistical Area (SMSA). It is the proximity to this metropolitan area that is the driving force behind the growth experienced by the Eastern Panhandle.

Populations Trends

<u>Census</u>	<u>Population</u>	<u>% Change</u>
1960	33,791	N/A
1970	36,356	7.59%
1980	46,775	28.66%
1990	59,253	26.68%
2000	75,905	28.10%
2005	93,394	23.04%

Source: US Bureau of the Census

People – Quick Facts

Male	49.8%
Female	50.2%
Persons under 5 years old	6.6%
Persons under 18 years old	25.7%
Ages 65 and older	11.2%

Source: US Bureau of the Census

Government/Emergency Services

State of West Virginia: 20 full time Troopers
 Berkeley County: County Administrator, 3 Commissioners
 Central Dispatch: Countywide Enhanced 911

Fire and Rescue: ISO Class 6/9, 3 career departments, 5 volunteer departments
 EMS: 1 career department, 35 paid professionals, 5 volunteer departments
 Police: Sheriff, 32 sworn Deputies

 Source: Berkeley County Development Authority

Education

Public Schools in West Virginia are county administered and by state law have the following students per teacher:

	<i>Kindergarten</i>	<i>Grades 1-2</i>	<i>Grades 4-6</i>
Preferred:	20/1	25/1	25/1
Maximum:	23/1	28/1	28/1

Berkeley County's Schools (Year 2006- 07)

Elementary (preK-5): 20 schools (7,892 enrolled)

Middle (6-8): 5 schools (3,776 enrolled)

Senior High (9-12): 3 schools (4,654 enrolled)

 Source: Berkeley County Development Authority

Private: Faith Christian Academy (Pre-K - 12; 328 enrolled); Martinsburg Christian Academy (Pre-K - 12; 221 enrolled); Rocky Knoll Seventh Day Adventist Elementary (60 enrolled); and St. Joseph's Catholic School (K-8; 410 enrolled).

Post Secondary Schools:

Shepherd University (member of the West Virginia State College System) is an accredited coeducational school in Shepherdstown, West Virginia, seven miles east of Martinsburg. It provides four-year courses granting BA, BFA, and BS degrees upon graduation. Postgraduate courses are offered through West Virginia University. Degrees are offered in technical areas: Accounting, Biology, Business Administration, Chemistry, Computer Science, Earth Science, Engineering Technology, Geology, Information Science, Marketing and Math.

Mountain State University – Martinsburg was established in 1999 as a branch of Mountain State University. MSU Martinsburg is a private educational institution charging the same tuition rates for in-state and out-of-state students. The campus is located .2 miles east of I-81 on an approximately five-acre lot in the University Center. MSU Martinsburg offers four year and two year degrees in a number of different fields. Degrees are offered in: Diagnostic Medical Sonography, Legal Studies, Forensics, Business

Administration, Spectrum, Computer Networking, Organizational Leadership and Nursing. MSU Martinsburg also offers graduate degrees in: Strategic Leadership, Nursing, and Interdisciplinary Studies.

Shepherd Community College provides academic/transfer and occupational/technical programs, which culminate in associate degrees and offers programs, which develop competency in areas fundamental to academic and occupational success at locations throughout the area. The Community and Technical College of Shepherd is working to meet the needs of the changing workplace by offering associate degrees in a variety of technical and occupational areas:

- Automotive Technology
- Business Information/Office Technology
- Business Program
- Computer Technology
- Criminal Justice
- Culinary Arts
- Dependent Care Specialist
- Early Childhood Specialist
- Electromechanical Technology
- Emergency Medical Services
- Engineering Program
- Fashion Merchandising
- Fire Science
- General Studies
- Historic Preservation (certificate)
- HVAC & Refrigeration
- Information Technology
- Nursing
- Paralegal Studies
- Safety Technology
- Visual Communication

The Community and Technical College also offers continuing education courses for professional and personal enrichment; on-site employee training for business, industry and schools; and academic support services including tutoring and study skills enhancement.

James Rumsey Technical Institute serves Berkeley, Jefferson and Morgan County area and is dedicated to the task of training high school students, high school graduates, and others who are eligible for employment in vocational, technical and industrial career fields. College level courses are available.

The Eastern Panhandle Training Center for the handicapped is a sheltered workshop in a work-oriented environment for the purpose of training and placing for employment, handicapped adults of the three Eastern Panhandle counties. Sub-contract work from local industry is utilized to train clients. Wages are paid to these clients; and, if placed in competitive employment, on-the-job follow-up is done by the Center.

Valley College of Technology is an accredited private business college in Martinsburg, offering A.A.S. and Certificate programs in Business Administration and Business and Office Technology. It also offers customized training.

Communications

Berkeley County has one newspaper, *The Journal*, in Martinsburg. There are 6 radio stations throughout the area and no television stations.

Transportation

A highly developed transportation network links Berkeley County to the entire nation. Two major interstate highways (I-81, which runs north/south, and I-70, which runs east/west) are the cornerstones of a highway system and trucking routes with destinations throughout the country. Business and industry in the county are served by the Eastern Regional Airport in Martinsburg. The airport handles aircraft ranging from executive jets to massive cargo planes. Residents also have easy access to Dulles International Airport, Baltimore-Washington International Airport, Reagan National Airport, and Washington County Airport. Rail cargo transport is available on the CSX line and Winchester & Western, which links with Norfolk Southern. Business and pleasure trips to Washington, Baltimore, New York and other destinations are available from Amtrak and MARC's daily train runs from Martinsburg.

Hospital

City Hospital provides medical service to Berkeley County. City Hospital admits over 7,000 patients and serves over 130,000 outpatients annually including 36,000 Emergency Department visits. Gateway Regional Health System, the parent corporation for City Hospital in Martinsburg, and Jefferson Regional Health System, the parent corporation for Jefferson Memorial Hospital in Ranson, merged into a single healthcare system known as West Virginia University Hospitals – East. As a unified healthcare delivery system, WVU-East will focus on growth to enhance and add new health services in Berkeley and Jefferson Counties.

Utilities

Allegheny Power Systems provides electricity to Berkeley County and throughout the Eastern Panhandle. Berkeley County relies on Allegheny Power for natural gas purposes. Sewage treatment is available from the District and the City of Martinsburg. Public water is available from the Berkeley County Public Service District and the City of Martinsburg. Sources for water are deep wells, quarries, springs and the Potomac River.

Ten Largest Employers in Berkeley County (November 2006)

Employer	Est. Employees
1. Berkeley County Board of Education	1,400
2. Veterans Administration Center	1,200
3. City Hospital, Inc.	1,000
4. Quad/Graphics, Inc.	950
5. U.S. Department of Treasury (IRS)	800
6. Wal-Mart Stores, Inc.	480
7. MAAX	440
8. Quebecor World Fairfield, Inc.	400
9. US Coast Guard Operations Center	380
10. General Motors Corporation	327

Source: Bureau of Employment Programs/Berkeley County Chamber of Commerce

Personal Income Tax

The City of Martinsburg and Berkeley County do not impose income taxes. The State income tax is applied on a graduated scale of rates on taxable income of all residents, individuals, estates and trusts and on the West Virginia income of nonresidents. The tax begins with federal adjusted gross income. Individuals are allowed a \$2,000 deduction for each exemption claim on their federal return. Individuals over the age of 65 are allowed an additional \$8,000 income exemption. Tax rates range from 3% on the first \$10,000 of taxable income to 6.5% of income exceeding \$60,000. Business and Occupational Tax taxpayers may credit such taxes paid against up to 100% of their Personal Income Tax liabilities.

Source: Berkeley County Development Authority

Financial Institutions

Berkeley County has 9 banks (29 including branches) with total deposits of \$989,814,000 (June 2006).

Source: Federal Deposit Insurance Corporation

Housing (June 2006)

Homes:

Median sale price for a home is \$231,269

Apartments:

2 bedroom monthly average rate = \$500-\$600

3 bedroom monthly average rate = \$600-\$650

Source: Berkeley County Development Authority

Economic Indicators

Retail Sales (2003)	\$1,168,000,000
Total Wages (2005)	\$955,807,886
Average Unemployment Rate (2005)	3.6%
Per Capita Income (2004)	\$26,975
Total Personal Income (2004)	\$2,407,991,000

Source: Bureau of Employment Security, State of WV

Employment and Wages Covered by Unemployment Compensation Programs

Employment, Annual Average (2005)	28,733
Annual Wage, Annual Average (2005)	\$33,265

Source: Bureau of Employment Programs

Employment and Unemployment Statistics – Annual Averages

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Civilian Labor Force	40,100	40,500	40,720	41,940	43,090
Total Employment	38,520	38,630	38,900	40,240	41,530
Total Unemployment	1,580	1,870	1,820	1,700	1,150
Unemployment Rate	3.5%	4.6%	4.5%	4.1%	3.6%

Source: Bureau of Employment Programs

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THE DISTRICT AND THE SYSTEM

The District is a public corporation created under authority of The County Commission of Berkeley County, West Virginia (the "County Commission"), on April 10, 1979, pursuant to Chapter 16, Article 13A, Section 2 of the Code of West Virginia of 1931, as amended. The District's Board of Directors is composed of three members appointed by the County Commission. The District is responsible for providing sewerage services for all of Berkeley County except for the City of Martinsburg. The District serves approximately 15,566 residential and 563 commercial customers.

The District's Board members and their offices, terms and occupations are as follows:

<u>Member</u>	<u>Term</u>	<u>Occupation</u>
John C. Kunkle, Chairman	7/01/04-6/30/2010	Certified Public Accountant
John Myers, Secretary	7/01/03-6/30/2009	Residential Building Contractor
Ronald K. Collins, Treasurer	7/01/05-6/30/2011	Retired Insurance Specialist

The following sets out an overview of the System.

System Wide Capacity

	<u>Rated Average Daily</u>	<u>Rated Peak Demand</u>	<u>Actual Average Daily</u>	<u>Actual Peak Demand</u>
Opequon/Hedgesville WWTP	1.6 MGD	4.8 MGD	0.7 MGD	>3.0 MGD
Baker Heights WWTP	.9 MGD	2.7 MGD	.7 MGD	2.5 MGD
Upgrade (2007)	2.7 MGD	9.0 MGD		
Inwood WWTP	.75 MGD	2.25 MGD	.6 MGD	1.675 MGD
Upgrade (2007)*	2.25 MGD	7.0 MGD		
Spring Mills WWTP	.2 MGD	.4 MGD	0.11 MGD	0.2 MGD
Upgrade (2007)	1.0 MGD	3.0 MGD		
13 Various Sized	Flow Range			

Package Plants .01-.05 MGD

* denotes the Baker Heights WWTP Upgrade and the Inwood WWTP Upgrade which have been financed through the 2006 CIF Bonds and are currently under construction. The District believes these Upgrades will be completed by the end of the calendar year 2007.

Customer Background

Customer Count by Type

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>
2000	5,733	449
2001	6,199	471
2002	8,214	506
2003	9,274	520
2004	11,612	570
2005	14,772	554
2006	15,566	563

Major Users

Top Ten Customers Measured by Volume and as a Percentage of Total Volume
 March 2005 through June 2006
 Volume Billed - 1,002,062,206 Gallons

<u>Customer</u>	<u>Volume</u>	<u>% of Total Volume</u>
Quad Graphics	132,305,458	13
VA Medical Center	72,183,000	7
Guardian Fiberglass	35,788,800	4
Berkeley County Schools	13,487,700	1
Berkeley Garden Apartments	10,905,800	1
Internal Revenue Service Center	9,849,105	1
Quebecor Printing	8,742,800	1
LCS Landfill	7,000,600	1
Berkeley Care Haven	2,936,000	1
BMA of Martinsburg	2,528,000	1

Top Ten Customers Measured by Revenue and as a Percentage of Total Revenue
 March 2005 through June 2006
 Amount Billed - \$9,416,701

<u>Customer</u>	<u>Revenue</u>	<u>% of Total Revenue</u>
Berkeley County Schools	\$684,421	7
Quad Graphics	593,138	6
VA Medical Center	305,250	3
Guardian Fiberglass	272,079	3
Berkeley Garden Apartments	88,418	1
Quebecor Printing	67,257	1
LCS Landfill	53,307	1
Internal Revenue Service Center	49,605	1
Berkeley Care Haven	22,408	1
BMA of Martinsburg	19,306	1

District Personnel

The District employs 61 full-time employees. The senior managers of the district include: Curtis B. Keller, MBA, General Manager, with 12 years of experience; Gene DeLawder, Fiscal Officer, with 10 years of experience; Clifton Browning, Chief of Plant Operations, with 5 years of experience; John Wood, Chief of Construction, with 7 years of experience; George Sabine, Chief of Maintenance, with 1 year of experience; Regina Keller, Human Resources Director, with 4 years of experience; and William Rohrbaugh, Esquire, General Counsel, with 6 years of experience.

Rates

The Public Service Commission of West Virginia (the "Commission") approved the current schedule of sewer rates and charges by order issued on August 1, 2006, and effective for service rendered on or after July 19, 2006, in Case No. 06-0630-PSD-T. The Commission approved an increase in the Capacity Improvement Fees in Case No. 06-0016-PSD-T by a final order entered October 24, 2006. The provisions of the tariff on file with the PSC are as follows:

APPLICABILITY

Applicable to all customers served by the Berkeley County Public Service Sewer District other than the former customers of Sylvan Grove Waste Treatment, Inc.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and sale for resale sewer service.

CHARGES

Volumetric Charge:	\$ 7.60 per 1,000 gallons usage
Service Charge:	\$ 7.90 per month
Flat Rate:	\$42.08 per month
Service Connection Charge:	\$350.00

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is applicable.

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement, a disconnection fee of \$20.00 shall be charged; or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of \$20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for nonpayment of a sewer bill in conjunction with a water service termination agreement, is reconnected, a reconnection fee of \$20.00 shall be charged.

LEAK ADJUSTMENT

\$0.53 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SURFACE OR GROUND WATER SURCHARGE

An additional amount shall be charged where surface or ground water is introduced into the sanitary system where evidence of a violation exists.

Surcharge formula to be applied in cases where surface drainage is connected to the utility's sewer system.

Applicability

Whenever the utility has discovered that a customer's roof drain, downspout, storm sewer or similar facilities that conduct surface water have been connected to the utility's sewer system, and such customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the utility in accordance with the Rules of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

$$S = A \times R \times .0006233 \times C$$

S = The surcharge in dollars

A = The area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet.

R = The measured rainfall, in inches

.0006233 = A conversion factor to change inches of rain x square feet of surface to thousands of gallons of water

A = The utility's approved rate per thousand gallons of metered water usage.

APPROVED CAPACITY IMPROVEMENT FEES (CIFs)
APPLICABLE TO DEVELOPERS ONLY

Meter Size	Factor	CIF
5/8 inch	1	\$ 1,581.00
3/4 inch	1.1	1,739.00
1 inch	1.4	2,213.00
1- 1/2 inch	1.8	2,845.00
2 inch Standard	2.9	4,584.00
2 inch Compound	2.5	3,952.00
3 inch Standard	11	17,338.00
3 inch Compound	16	25,291.00
4 inch Standard	14	22,130.00
4 inch Compound	25	39,517.00
6 inch Standard	21	33,194.00
6 inch Compound	50	79,034.00
8 inch Standard	29	45,840.00
8 inch Compound	80	126,455.00

CAPACITY IMPROVEMENT FEES (CIFs) APPLICABLE TO DEVELOPERS
ONLY (APPROVED BY THE COMMISSION ORDER ENTERED
OCTOBER 24, 2006)

<u>"Meter Size</u>	<u>Factor</u>	<u>Collection CIF</u>	<u>Treatment CIF</u>
5/8 inch	1	\$ 2,529	1,121
3/4 inch	1.1	2,782	1,233
1 inch	1.4	3,541	1,569
1-1/2 inch	1.8	4,552	2,018
2 inch Standard	2.5	6,323	2,803
2 inch Compound	8.0	20,232	8,968
2 inch Turbine	10.0	25,290	11,210
3 inch Standard	11.0	27,819	12,331
3 inch Compound	16.0	40,464	17,936
3 inch Turbine	24.0	60,696	26,904
4 inch Standard	14.0	35,406	15,694
4 inch Compound	25.0	63,225	28,025
4 inch Turbine	42.0	106,218	47,082
6 inch Standard	21.0	53,109	23,541
6 inch Compound	50.0	126,450	56,050
6 inch Turbine	92.0	232,668	103,132
8 inch Standard	29.0	73,341	32,509
8 inch Compound	80.0	202,320	89,680
8 inch Turbine	160.0	404,640	179,360

Meters in excess of 8 inches will be individually evaluated.

CIFs are due as of the date of the final sewer availability letter issued by the Berkeley County Public Service Sewer District.

The following property owners are exempt from payment of the CIF - owners of existing or new (being constructed) single-family structures, where the person applying for service will be the customer of record, and the proposed service location is not part of a larger land tract under development, or a subdivided portion of a larger tract that was previously subdivided for commercial or residential development, for profit.

APPLICABILITY

Applicable to all former customers of Sylvan Grove Waste Treatment, Inc.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and sale for resale sewer service

CHARGES

First	3,000 gallons per month	\$8.05 per 1,000 gallons
Next	7,000 gallons per month	\$7.02 per 1,000 gallons
All Over	10,000 gallons per month	\$5.11 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than \$24.15 per month, which is the equivalent of 3,000 gallons of usage.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$250.00 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in conjunction with a water service termination agreement, a disconnection fee of \$20.00 shall be charged; or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of \$20.00 shall be charged.

Whenever water service, which has been previously disconnected or otherwise withheld for nonpayment of a sewer bill in conjunction with a water service termination agreement, is reconnected, a reconnection fee of \$20.00 shall be charged.

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\$0.47 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

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An additional amount shall be charged where surface or ground water is introduced into the sanitary system where evidence of a violation exists.

Surcharge formula to be applied in cases where surface drainage is connected to the utility's sewer system.

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Whenever the utility has discovered that a customer's roof drain, downspout, storm sewer or similar facilities that conduct surface water have been connected to the utility's sewer system, and such customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the utility in accordance with the Rules of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

$$S = A \times R \times .0006233 \times C$$

S = The surcharge in dollars

A = The area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet.

R = The measured rainfall, in inches

.0006233 = A conversion factor to change inches of rain x square feet of surface to thousands of gallons of water

A = The utility's approved rate per thousand gallons of metered water usage.

Billing and Collections

Gross Revenues - 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 \$20.00 is required to reinstate a previously delinquent account.

Capacity Improvement Fees – the District collects the Capacity Improvement Fees at the time the District is requested to provide a final letter of availability for a proposed connection to the System.

Comparable Rates

Jefferson County Public Service District	\$51.75 per month/4,500 gallons
City of Charles Town, WV	\$51.75 per month/4,500 gallons
City of Martinsburg, WV	\$27.23 per month/4,500 gallons
Warm Springs Public Service District	\$34.37 per month/4,500 gallons

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 has 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 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. The audited financial statements of the District for the fiscal year ending June 30, 2006 are attached as Appendix C.

Historical and Proforma Revenues, Expenses and Coverages

Five Year Historic Coverage Ratio

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Operating Income:	1,432,136	535,313	2,617	1,422,754	1,191,226
Add back:					
Depreciation	2,046,039	2,340,967	3,484,070	3,522,505	3,881,234
Amortization of Bond Discount	(43,471)	(45,946)	(46,812)	(47,164)	(47,184)
Bond Administration Fees	-	-	-	(184,614)	(222,472)
Interest Income	92,644	86,274	26,740	64,516	239,669
	<u>2,095,412</u>	<u>2,381,295</u>	<u>3,463,998</u>	<u>3,555,223</u>	<u>3,851,247</u>
Cash Available for Debt Service	3,527,546	2,916,908	3,466,615	4,777,977	5,042,473
Debt Service	3,037,419	2,497,385	2,690,853	3,741,148	3,877,936
Coverage Ratio	1.16	1.17	1.29	1.28	1.30

Pension Plan

The District is a participant in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing multiple-employer pension plan. The pension plan covers all the District's employees whose tenure is not temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60. Contributions to the WVPERS by the District are 10.5% of eligible employees' compensation. In addition, the District withholds 4.5% of the eligible employee's compensation and remits the withholding on a monthly basis to the WVPERS. The District's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are established pursuant to the West Virginia Public Employees Retirement Act. The employer contributions for the years ended June 30, 2006 was \$194,459, representing 10.5% of the year's covered payroll. The employee contributions for the years ended June 30, 2006 was \$86,963, representing 4.5% of the year's covered payroll. Total covered payroll for the years ended June 30, 2006 was \$1,932,517.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligations (actuarial present value of credit projected benefits), net assets available for benefits, historical trends, and related party transactions are not readily available since such determinations are made and information is kept on a system-wide basis and not for the individual participating entities. This information is available in the separately issued

financial statements of the WVPERS at Capitol Complex, Building 5, Room 1000, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305.

The District provides a §401(a) plan for employees with the §457 Governmental employer deferred compensation match. Employees are eligible to participate in the plans upon hire, and after 6 months of service, they are eligible to receive up to a 5% match on their contributions. Participants vest after one year. For the §401(a) Plan, employees may contribute the lesser of 25% of their compensation or \$30,000. For the §457 Plan, both employee deferrals and employer contributions are aggregated for purposes of the maximum annual limit of the lesser of \$8,000 or 25% of compensation.

For the fiscal year ending June 30, 2006, the District contributed \$194,459 into the WVPERS account and the employees contributed \$86,963 into the WVPERS account. For the fiscal year ending June 30, 2006, the District contributed \$62,309 into the 401(a) plan and the employees contributed \$67,489 into the 401(a) plan. The total cover payroll for the fiscal year ending June 30, 2006 for WVPERS is \$1,932,517 and for the 401(a) plan it is \$1,325,574.

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FINANCIAL STATEMENTS

JUNE 30, 2006

**BERKELEY COUNTY PUBLIC
SERVICE SEWER DISTRICT**

Martinsburg, West Virginia

FINANCIAL REPORT

JUNE 30, 2006

BOARD MEMBERS AND OFFICERS
As of June 30, 2006

John C. Kunkle - Chairman
John E. Myers - Secretary
Ronald K. Collins - Treasurer

GENERAL MANAGER

Curtis B. Keller

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Yount
Hyde &
Barbour

Certified Public Accountants
and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Public Service Board
Berkeley County Public Service Sewer District
Martinsburg, West Virginia

We have audited the accompanying basic financial statements of the Berkeley County Public Service Sewer District, Martinsburg, West Virginia, as of and for the years ended June 30, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Berkeley County Public Service Sewer District's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Berkeley County Public Service Sewer District, as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated August 16, 2006 on our consideration of the Berkeley County Public Service Sewer District's internal control over financial reporting and our 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 "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audits.

Management's Discussion and Analysis, as indicated in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
August 16, 2006

0 South Cameron Street
P.O. Box 2560
Winchester, VA 22604
(540) 662-3417
FAX (540) 662-4211

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Berkeley County Public Service Sewer District's (the District) financial performance provides a narrative overview of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities at the close of the year by \$41,727,375.
- Total capital assets increased by \$6,280,295 due to a capital improvement plan implemented by the Board of Directors and continued upgrades to pumping stations and monitoring equipment. The collection of Capacity Improvement Fees from developers have also contributed to increases in assets.
- Operating revenues increased by \$905,370 from 2005 due to the steady growth of the customer base.
- User rates were maintained from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The Statements of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and changes in them. You can think of the District's net assets-the difference between assets and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

NET ASSETS

To begin our analysis, a summary of the District's Statements of Net Assets is presented in Table A-1.

Table A-1	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current and Other Assets	\$ 10,509,288	\$ 7,872,918
Capital Assets	<u>118,613,726</u>	<u>112,333,431</u>
Total Assets	<u>\$ 129,123,014</u>	<u>\$ 120,206,349</u>
Long-term debt outstanding	\$ 78,966,163	\$ 82,389,370
Other Liabilities	<u>8,429,477</u>	<u>6,356,810</u>
Total Liabilities	<u>\$ 87,395,640</u>	<u>\$ 88,746,180</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 33,180,240	\$ 25,488,497
Restricted net assets	7,447,602	5,106,015
Unrestricted net assets	<u>1,099,533</u>	<u>865,657</u>
Total net assets	<u>\$ 41,727,375</u>	<u>\$ 31,460,169</u>

OPERATING INCOME

Operating revenues totaled \$9,808,245 in fiscal year 2006, an increase of \$905,370 from 2005. This can be attributed to the increase in the District's customer base. Operating expenses were \$4,735,785 in 2006 an increase of \$778,169 from 2005 due to an increase in services expenses and increased legal expenses. Table A-2 provides a summary of Revenues and Expenses.

Table A-2	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Operating Revenues	\$ 9,808,245	\$ 8,902,875
Non-Operating Revenues	239,669	64,516
Total Expenses	<u>\$ 10,047,914</u>	<u>\$ 8,967,391</u>
Depreciation Expense	\$ (3,881,234)	\$ (3,690,774)
Operating Expense	(4,735,785)	(3,957,616)
Non-Operating Expense	(985,220)	(911,264)
Total Expenses	<u>\$ (9,602,239)</u>	<u>\$ (8,559,654)</u>
Net income before capital contributions	\$ 445,675	\$ 407,737
Capital Contributions	<u>9,821,530</u>	<u>8,147,962</u>
Change in Net Assets	<u>\$ 10,267,205</u>	<u>\$ 8,555,699</u>

While the Statements of Net Assets show the change in financial position of net assets, the Statements of Revenues and Expenses and Changes in Net Assets provides answers as to the nature and source of these changes. Increases in costs were primarily the result of rising employment costs and costs associated with the increased capacities within the treatment facilities. These costs include enhanced benefits in the District's retirement plan, an increase in engineering and operations costs needed to support current and future system growth, and the additional costs associated with increased capacities within the treatment systems.

BUDGETARY HIGHLIGHTS

As required by its Bylaws, the District adopts an Operating Budget no later than 45 days prior to the start of its Fiscal Year. The General Manager must approve any overruns within departmental budgets and only the Board of Directors may revise the total budget. All annual appropriations lapse at year end. The table below shows a comparison of 2006 budget projections to 2006 actual revenues and expenses.

Table A-3

	Budget vs Actual		Variance with Budget
	FY 06 Budget	FY 06 Actual	
Operating Revenues			
Sewer Fees	\$ 9,296,875	\$ 9,448,009	\$ 151,134
Miscellaneous Income	105,540	203,953	98,413
Developers Subsidy Income	144,000	156,283	12,283
Total Operating Revenues	<u>\$ 9,546,415</u>	<u>\$ 9,808,245</u>	<u>\$ 261,830</u>
Operating Expenses			
Construction Expenses	\$ 865,243	\$ 577,426	\$ (287,817)
Pumping/Maintenance Expenses	963,308	715,115	(248,193)
Treatment Expenses	1,179,213	1,330,354	151,141
Billing/Finance Expenses	370,337	304,534	(65,803)
Administrative Expenses	985,607	1,808,356	822,749
Total Operating Expenses	<u>\$ 4,363,708</u>	<u>\$ 4,735,785</u>	<u>\$ 372,077</u>
Operating Income before Depreciation	\$ 5,182,707	\$ 5,072,460	\$ (110,247)
Depreciation	3,350,004	3,881,234	531,230
Operating Income	<u>\$ 1,832,703</u>	<u>\$ 1,191,226</u>	<u>\$ (641,477)</u>
Non-operating Revenue(Expenses)			
Interest Income	\$ 25,000	\$ 239,669	\$ 214,669
Interest Expense	(679,466)	(715,564)	(36,098)
Amortization Expense	(47,184)	(47,184)	- -
Bond Administration Expense	(184,614)	(222,472)	(37,858)
Net Non-operating Revenue (Expense)	<u>\$ (886,264)</u>	<u>\$ (745,551)</u>	<u>\$ 140,713</u>
Net Income before Capital Contributions	<u>\$ 946,439</u>	<u>\$ 445,675</u>	<u>\$ (500,764)</u>
Capital Contributions		\$ 9,821,530	
Change in Net Assets		<u>\$ 10,267,205</u>	

As can be seen from Table A-3 the District's revenues increase to \$9,808,245 showing a favorable variance to the budget. This favorable variance to budget for 2006 was due to an increase in the customer base. During this time operating expenses increased by \$372,077 over budget. This increase was primarily due to increased insurance premiums and legal expenses. The net result of non-operating factors was that the District performed in a favorable ratio to its Fiscal 2006 budget due to the favorable interest income variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2006, the District had invested \$3.1 million in a broad range of capital assets including sewer lines, land, buildings, treatment plants, vehicles and equipment. In addition, developers contributed \$6.9 million of lines and collection systems as shown in Table A-4.

TABLE A-4

	Capital Assets	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land and land rights	\$ 1,939,260	\$ 1,816,595
Structure and improvements	11,139,839	10,371,307
Collection and transmission systems	102,141,610	95,147,157
Pumping system and force mains	7,529,553	7,355,021
Tools and shop equipment	121,991	109,589
Treatment and disposal system	17,518,582	16,038,062
Communication equipment	155,504	152,429
Office furniture and equipment	2,370,358	2,345,028
Lab and general plant equipment	174,822	170,829
Transportation equipment	690,396	690,396
Miscellaneous general plant equipment	6,302	6,302
Construction in progress	<u>1,574,197</u>	<u>998,170</u>
Sub Total	\$ 145,362,414	\$ 135,200,885
Less accumulated depreciation	<u>26,748,688</u>	<u>22,867,454</u>
Net Property, Plant & Equipment	<u>\$ 118,613,726</u>	<u>\$ 112,333,431</u>

The District has the following ongoing projects:

1. Design of North End Sewer System to include treatment facility and collection lines.
2. Design of Baker Heights Treatment Facility upgrade.
3. Design of Inwood Treatment Facility upgrade.

LONG TERM DEBT

The District's outstanding debt as of June 30, 2006 includes \$82,259,370 in Sewer System Revenue Bonds that bear interest from 0% to 6%. The payment of principal and interest on all revenue bonds is secured by the pledge of net revenues of the District. The District is in compliance with all bond covenants.

BOND RATINGS

All outstanding bonds carry an Aaa and AAA rating from Moody's and Standard & Poor's respectfully based upon a Municipal Bond Commission policy.

LIMITATIONS ON DEBT

Bond Covenants allow for the issuance of additional debt on a parity, as to lien on the net revenues of the System provided certain net earning ratio(s) conditions are met. The major criterion is that all estimated future net earnings of the system must be at least 1.15 times the highest combined debt service requirement. The District currently enjoys a coverage ratio of 1.32.

The District has been successful in taking advantage of available low financing through the West Virginia State Revolving Fund administered by the Department of Environmental Protection.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET AND RATES

The economic outlook for Berkeley County is extremely positive. The regions favorable economic condition and the prospect of these conditions continuing have produced a rate of growth for Berkeley County greater than has been experienced over recent years. The District continues to evaluate its resources as well as operational and capital requirements to ensure that wastewater service will be available to meet expected demand.

The District's rate structure is designed to collect sufficient revenues to pay debt service and recover operating and maintenance expenses, and the District successfully accomplished this objective in 2006. User rates were maintained for the Fiscal Year 2006.

CONTACTING THE DISTRICT'S FISCAL OFFICER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Berkeley County Public Service Sewer District, Fiscal Officer, P.O. Box 944, Martinsburg, WV 25402.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Statements of Net Assets
As of June 30, 2006 and 2005

Assets	2006	2005
Current Assets		
Cash and temporary investments	\$ 73,943	\$ 25,259
Accounts receivable - customers, less allowance for uncollectible accounts of \$21,000 and \$5,000 for 2006 and 2005, respectively	1,637,967	1,545,829
Accounts receivable - developers	179,511	38,117
Other current assets	2,245	49,190
Total current assets	\$ 1,893,666	\$ 1,658,395
Restricted Assets		
Cash and temporary investments:		
Debt service funds	\$ 1,164,949	\$ 1,141,786
Debt service reserve funds	2,148,706	1,815,025
Security deposits	424,889	351,829
Capacity improvement fund	3,454,107	359,533
Construction fund	953,411	2,051,024
Total restricted assets	\$ 8,146,062	\$ 5,719,197
Other Assets		
Unamortized debt issue expense	\$ 469,560	\$ 495,326
Property, Plant and Equipment		
Land and land rights	\$ 1,939,260	\$ 1,816,595
Structures and improvements	11,139,839	10,371,307
Collection and transmission system	102,141,610	95,147,157
Pumping system and force mains	7,529,553	7,355,021
Tools and shop equipment	121,991	109,589
Treatment and disposal system	17,518,582	16,038,062
Communication equipment	155,504	152,429
Office furniture and equipment	2,370,358	2,345,028
Lab and general plant equipment	174,822	170,829
Transportation equipment	690,396	690,396
Miscellaneous general plant equipment	6,302	6,302
Construction in progress	1,574,197	998,170
	\$ 145,362,414	\$ 135,200,885
Less accumulated depreciation	26,748,688	22,867,454
Net property, plant and equipment	\$ 118,613,726	\$ 112,333,431
Total assets	\$ 129,123,014	\$ 120,206,349

See Accompanying Notes to Financial Statements.

Liabilities and Net Assets

	2006	2005
Liabilities		
Current Liabilities (payable from current assets)		
Accounts payable - operations	\$ 171,966	\$ 154,591
Accrued payroll and related liabilities	131,891	117,188
Customer security deposits	81,293	98,866
Developers' contracts payable	182,148	45,949
Lease payable	106,769	124,835
Note payable	<u>2,360,769</u>	<u>352,001</u>
Total current liabilities (payable from current assets)	<u>\$ 3,034,836</u>	<u>\$ 893,430</u>
Current Liabilities (payable from restricted assets)		
Accrued interest	\$ 273,571	\$ 261,353
Customer security deposits	424,889	351,829
Revenue bonds payable	<u>3,293,207</u>	<u>3,283,327</u>
Total current liabilities (payable from restricted assets)	<u>\$ 3,991,667</u>	<u>\$ 3,896,509</u>
Commitments, construction costs payable	<u>\$ 348,275</u>	<u>\$ 539,108</u>
Long-Term Liabilities		
Developers' contracts payable	\$ 348,121	\$ 257,961
Developers' deposit payable	--	74,401
Lease payable	139,684	250,586
Note payable	995,264	1,024,604
Revenue bonds payable	78,966,163	82,259,370
Less unamortized amount resulting from advance refunding of debt	<u>(428,370)</u>	<u>(449,789)</u>
Total long-term liabilities	<u>\$ 80,020,862</u>	<u>\$ 83,417,133</u>
Total liabilities	<u>\$ 87,395,640</u>	<u>\$ 88,746,180</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 33,180,240	\$ 25,488,497
Restricted net assets	7,447,602	5,106,015
Unrestricted net assets	<u>1,099,532</u>	<u>865,657</u>
Total net assets	<u>\$ 41,727,374</u>	<u>\$ 31,460,169</u>
Total liabilities and net assets	<u>\$ 129,123,014</u>	<u>\$ 120,206,349</u>

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

**Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Sewer fees	\$ 9,448,009	\$ 8,458,399
Developers' subsidy income	156,283	169,949
Miscellaneous income	<u>203,953</u>	<u>274,527</u>
Total operating revenues	\$ <u>9,808,245</u>	\$ <u>8,902,875</u>
Operating Expenses		
Collecting system expenses	\$ 577,426	\$ 549,459
Pumping system expenses	715,115	556,051
Treatment and disposal expenses	1,330,354	1,112,404
Customers' accounting and collection expenses	304,534	254,492
General and administrative expenses	<u>1,808,356</u>	<u>1,485,210</u>
Total operating expenses	\$ <u>4,735,785</u>	\$ <u>3,957,616</u>
Operating income before depreciation	\$ 5,072,460	\$ 4,945,259
Depreciation	<u>3,881,234</u>	<u>3,690,774</u>
Operating income	\$ <u>1,191,226</u>	\$ <u>1,254,485</u>
Nonoperating Revenue and Expense		
Interest earned	\$ 239,669	\$ 64,516
Amortization of bond discount and expense	(47,184)	(47,184)
Interest expense	(715,564)	(679,466)
Bond administration fees	<u>(222,472)</u>	<u>(184,614)</u>
Net nonoperating (expense)	\$ <u>(745,551)</u>	\$ <u>(846,748)</u>
Net income before capital contributions	\$ 445,675	\$ 407,737
Capital Contributions	<u>9,821,530</u>	<u>8,147,962</u>
Change in Net Assets	\$ 10,267,205	\$ 8,555,699
Total Net Assets, Beginning of Year	31,460,169	18,405,546
Prior Period Adjustment	<u>--</u>	<u>4,498,924</u>
Total Net Assets, End of Year	\$ <u>41,727,374</u>	\$ <u>31,460,169</u>

See Accompanying Notes to Financial Statements.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 9,711,412	\$ 8,678,824
Payments to suppliers for goods and services	(2,158,008)	(1,651,201)
Payments to employees for services	(2,654,364)	(2,319,212)
Net cash provided by operating activities	<u>\$ 4,899,040</u>	<u>\$ 4,708,411</u>
 Cash Flows from Capital and Related Financing Activities		
Payments on developers' contract payable	\$ (122,435)	\$ (70,663)
Proceeds from developers' contracts	348,795	--
Purchase of property, plant and equipment	(3,163,037)	(1,684,312)
Proceeds from note payable	2,195,834	1,683,999
Proceeds from bond issuance	--	2,967,518
Bond issuance costs	--	(13,000)
Principal payments on revenue bonds	(3,283,327)	(2,659,908)
Interest payments on revenue bonds	(596,759)	(664,683)
Payments on bond administration fees	(222,472)	(184,614)
Principal payments on note payable	(216,406)	(402,189)
Interest payments on note payable	(120,957)	(14,368)
Principal payments on bond anticipation note	--	(1,999,700)
Payments on construction costs payable	(190,833)	(1,296,267)
Payments on lease payable	(128,968)	(111,829)
Capital contributions	2,837,405	1,785,712
Net cash (used in) capital and related financing activities	<u>\$ (2,663,160)</u>	<u>\$ (2,664,304)</u>
 Cash Flows from Investing Activities, interest income	<u>\$ 239,669</u>	<u>\$ 64,516</u>
 Net increase in cash and cash equivalents	\$ 2,475,549	\$ 2,108,623
 Cash and Cash Equivalents at Beginning of Year	<u>5,744,456</u>	<u>3,635,833</u>
 Cash and Cash Equivalents at End of Year	<u>\$ 8,220,005</u>	<u>\$ 5,744,456</u>

See Accompanying Notes to Financial Statements.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Statements of Cash Flows

(Continued)

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating income	\$ 1,191,226	\$ 1,254,485
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,881,234	3,690,774
Changes in assets and liabilities:		
(Increase) in accounts receivable - customers	(92,138)	(212,605)
(Increase) in developers' receivable	(141,394)	(31,237)
(Increase) decrease in other assets	46,945	(462)
Increase (decrease) in accounts payable - operations	17,376	(60,551)
(Decrease) in developers' deposit payable	(74,401)	--
Increase (decrease) in accrued expenses	14,704	(1,700)
Increase in customer security deposits	55,488	69,707
Net cash provided by operating activities	<u>\$ 4,899,040</u>	<u>\$ 4,708,411</u>
 Reconciliation of Cash		
Cash and temporary investments	\$ 73,943	\$ 25,259
Restricted cash and temporary investments	8,146,062	5,719,197
	<u>\$ 8,220,005</u>	<u>\$ 5,744,456</u>

See Accompanying Notes to Financial Statements.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

The Berkeley County Public Service Sewer District (the "District") is a corporation created under the authority of the County Commission of Berkeley County, West Virginia on April 10, 1979 under West Virginia Code Section 16-13A-2. The Board of Directors is composed of three members appointed by the County Commission of Berkeley County, West Virginia. The District is responsible for providing sewerage services for all of Berkeley County, West Virginia. The District serves approximately 15,800 customers.

A summary of significant accounting policies are as follows:

Basis of Presentation

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. The District accounts for its operations in a manner similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The costs (including depreciation) of providing goods and services to customers on a continuing basis are recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control and accountability.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Revenues and expenses of the District are accounted for within one fund, an enterprise fund. The District uses the accrual basis of accounting for its enterprise fund, under which revenues are recognized when they are earned and expenses are recognized when they are incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District has elected to apply all applicable GASB pronouncements as well as FASB statements and interpretations, APB opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

For purposes of reporting the statements of cash flows, the District considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less, except those set aside for a specific purpose, to be cash equivalents. As of June 30, 2006, the District has not formally adopted an investment policy.

Restricted Assets

Assets whose use is limited include:

Debt service funds and debt service reserve funds represent funds on deposit with the West Virginia Municipal Bond Commission as trustee under the various bond resolutions. These funds are to be used to pay bond interest and principal.

Construction funds represent funds held by a bank as trustee under the District's bond resolutions. These funds are to be used solely for payment of costs associated with the District's construction projects.

The renewal and replacement fund was established by bond ordinance. The fund is to be kept apart from all other funds and shall be invested or reinvested in accordance with Article VIII of the bond ordinance. Withdrawals and disbursements may be made for replacements, emergency repairs, improvements or extensions to the system.

Customer security deposits are held in a separate bank account in the name of the District. Interest earned on security deposits held by the District is paid to customers when the security deposit is refunded.

Revenue Recognition

The District's policy is to recognize revenue on the accrual basis. At June 30, 2006 and 2005, the District accrued two months of revenue earned but not billed for the months of May and June. An estimation was used for this accrual.

Property, Plant and Equipment

The District capitalizes all property, plant and equipment with a purchase price greater than \$1,000.

Notes to Financial Statements

Property, plant and equipment is stated at historical cost. Donated assets are recorded at fair market value at the time received. Expenditures for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

Depreciation is provided by the straight-line method over the estimated useful lives which range from 8 to 50 years.

Interest is capitalized on qualifying construction in process. For assets acquired with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized using the straight-line method over the estimated useful life of the asset. The District capitalized \$80,472 of net interest expense in 2006. No interest was capitalized in 2005.

The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Intangibles

Amortization of debt issue costs is calculated by the straight-line method over the term of the related bond issue.

Deferred amounts resulting from an advance refunding of debt are being amortized by the straight-line method over the life of the new debt.

Nonexchange Transactions

The District follows GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33), which establishes accounting and reporting guidelines for government entities that gives (or receives) value without directly receiving (or giving) equal value in return. The District receives voluntary nonexchange transactions from developer donations of cash, property, lines and improvements. These donations are considered capital contributions on the Statements of Revenues, Expenses and Changes in Net Assets.

Accounting Pronouncements Adopted

In July 2003, the District adopted the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). Statement 34 establishes standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. The District simultaneously implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* (Statement 37) and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (Statement 38). The implementation of Statements No. 34, 37 and 38 were completed for the fiscal year ended June 30, 2004.

Notes to Financial Statements

In March 2003, the GASB issued Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment of GASB Statement No. 3* (Statement 40). This Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The District has adopted Statement 40 for the fiscal year ending June 30, 2005. The effect of the adoption of this statement was the establishment of comprehensive disclosure requirements for certain risks relating to the District's investment portfolio. These risks include: credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (Statement 42). This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner. The District has adopted Statement 42 for the fiscal year ending June 30, 2006. The adoption of this Statement has no effect on the presentation of the financial statements.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – An Amendment for GASB Statement No. 34* (Statement 46) requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Statement 46 aims at improving the understandability and comparability of net asset information by making the assessment of legal enforceability more uniform across governments. The District has adopted Statement 46 for the fiscal year ending June 30, 2006. The adoption of this Statement has no effect on the presentation of the financial statements.

GASB Statement No. 47, *Accounting for Termination Benefits* (Statement 47) establishes accounting standards for termination benefits. The District has adopted Statement 47 for the fiscal year ending June 30, 2006. The adoption of this Statement has no effect on the presentation of the financial statements.

New Accounting Pronouncements

GASB Statement No. 43, *Financial Reporting for Postretirement Benefit Plans Other Than Pension Plans* (Statement 43) establishes uniform financial reporting standards for other postretirement benefit plans. Statement 43 will be effective for the District beginning with its year ending June 30, 2009.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions* (Statement 45) establishes standards for measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. Statement 45 will be effective for the District beginning with its fiscal year ending June 30, 2010.

The District's management has not yet determined the effect these Statements will have on its financial statements.

Notes to Financial Statements

Note 2. Accounts Receivable - Developers

This represents amounts due from certain developers in connection with the District's purchase of utility plants from the developers. Under these agreements, the developers are obligated to reimburse the District for costs associated with acquiring and operating the system in excess of revenues derived from the system. The reimbursements under these agreements continue until net system revenues are sufficient to meet debt service payments. Thereafter, the District is obligated to repay the developer for amounts which it receives under these agreements. Total amounts receivable under the agreements were \$179,511 and \$38,117 as of June 30, 2006 and 2005, respectively.

Note 3. Developers' Contracts Payable

These liabilities represent the cost of line additions constructed by developers and titled to the District. The District is obligated to reimburse the developers based on the revenue derived from customers connected to the lines. The reimbursements are payable for up to a ten year period from the date of completion of the lines. At June 30, the balance consisted of the following:

	<u>2006</u>	<u>2005</u>
Developer payable; payable in two installments per year, interest free, maturity is 2007.	\$ 83,613	\$ --
Developer payable; payable in two installments per year, interest free, maturity is 2010.	156,224	--
Developer payable; payable in two installments per year, interest free, maturity is 2011.	88,068	104,553
Developer payable; payable in two installments per year, interest free, maturity is 2011.	59,138	64,323
Developer payable; payable in two installments per year, interest free, maturity is 2012.	35,932	27,740
Developer payable; payable in two installments per year, interest free, maturity is 2012.	23,965	23,965
Developer payable; payable in two installments per year, interest free, maturity is 2013.	53,550	53,550
Developer payable; payable in two installments per year, interest free, maturity is 2013.	15,999	15,999
Developer payable; payable in two installments per year, interest free, maturity is 2013.	<u>13,780</u>	<u>13,780</u>
	\$ 530,269	\$ 303,910
Less current maturity	<u>182,148</u>	<u>45,949</u>
Total developers' contracts payable	<u>\$ 348,121</u>	<u>\$ 257,961</u>

Notes to Financial Statements

The following is a summary of annual debt service requirements on developers' contracts payable at June 30, 2006:

2007	\$ 182,148
2008	98,534
2009	98,534
2010	65,934
2011	51,328
2012-2014	33,791
	<u>\$ 530,269</u>

Note 4. Long-Term Debt

Revenue Bonds Payable

The District has issued general obligation bonds for the purpose of financing the cost of site acquisition, improvement, construction, erection, renovation, equipping, and improving the existing sewer service system.

Notes to Financial Statements

The following is a summary of revenue bonds payable at June 30:

Bond	Issue	Maturity	Interest	Amount Outstanding	
	Date	Date	Rate	2006	2005
1986 Series "B"	3/7/1986	2025	7.00%	\$ 862,207	\$ 905,317
1990 Series "A"	5/3/1990	2029	7.85%	731,937	742,316
1990 Series "B"	5/3/1990	2029	7.85%	23,796	24,788
WDA 1994 Series "A"	10/3/1994	2033	6.75%	452,747	458,224
HDF 1994 Series "B"	11/14/1994	2009	0.00%	1,500,000	1,500,000
SRF 1994 Series "C"	11/14/1994	2014	0.00%	1,317,117	1,455,761
SRF 1995 Series "A"	2/9/1995	2016	0.00%	1,870,830	2,062,713
SRF 1995 Series "B"	12/29/1995	2016	0.00%	1,042,509	1,149,433
SRF 1996 Series "A"	2/13/1996	2017	0.00%	155,943	171,939
SRF 1996 Series "B"	5/1/1996	2016	0.00%	1,380,029	1,511,461
SRF 1996 Series "C"	5/1/1996	2017	0.00%	439,719	481,599
1996 Series "D"	6/15/1996	2025	5.63%	3,865,000	3,970,000
SRF 1997 Series "A"	6/12/1997	2017	2.00%	90,441	97,540
SRF 1997 Series "B"	12/11/1997	2018	2.00%	838,549	897,031
SRF 1999 Series "A"	12/1/1999	2029	0.00%	26,207,082	27,265,953
SRF 2000 Series "A"	6/1/2000	2030	0.00%	757,801	789,053
SRF 2001 Series "A"	3/30/2001	2021	0.00%	333,446	355,617
SRF 2001 Series "B"	8/7/2001	2031	0.00%	2,473,368	2,570,364
SRF 2002 Series "A"	5/9/2002	2032	0.00%	656,250	681,250
SRF 2002 Series "B"	7/11/2002	2032	0.00%	399,473	414,693
SRF 2002 Series "C"	8/28/2002	2034	0.00%	28,935,896	29,978,632
SRF 2002 Series "D"	8/28/2002	2039	5.80%	4,918,972	4,965,465
SRF 2002 Series "E"	8/28/2002	2041	5.80%	556,210	560,822
SRF 2003 Series "A"	8/14/2003	2024	2.00%	226,544	237,253
SRF 2003 Series "B"	8/14/2003	2024	2.00%	296,353	310,363
SRF 2004 Series "A"	11/30/2004	2040	0.00%	1,927,151	1,985,110
				<u>\$ 82,259,370</u>	<u>\$ 85,542,697</u>

Notes to Financial Statements

The following is a summary of annual debt service requirements on revenue bonds payable at June 30, 2006:

	Interest	Principal	Total
2007	\$ 653,792	\$ 3,293,207	\$ 3,946,999
2008	641,613	3,304,684	3,946,297
2009	628,685	3,316,481	3,945,166
2010	615,034	3,333,610	3,948,644
2011	600,356	3,346,095	3,946,451
2012-2016	2,750,275	16,838,659	19,588,934
2017-2021	2,242,539	14,213,451	16,455,990
2022-2026	1,614,273	14,336,692	15,950,965
2027-2031	998,400	12,645,103	13,643,503
2032-2036	592,527	6,094,871	6,687,398
2037-2041	172,531	1,501,414	1,673,945
2042-2045	1,018	35,103	36,121
	<u>\$11,511,043</u>	<u>\$ 82,259,370</u>	<u>\$93,770,413</u>

Each of the bond issues is secured by a lien on the net revenue derived from the sewer system. The Series 1986 "A" bonds, the Series 1986 "B" bonds, the Series 1986 "C" bonds, the Series 1990 "A" bonds, the Series 1994 "A" bonds, the Series 1994 "B", the Series 1994 "C" bonds, the Series 1995 "A" bonds, the Series 1995 "B" bonds, the Series 1996 "A" bonds, the Series 1996 "B" bonds, the Series 1996 "C" bonds, the Series 1996 "D" bonds, the Series 1997 "A" bonds, the Series 1997 "B" bonds, the Series 1999 "A" bonds, the Series 2000 "A" bonds, the Series 2001 "A", the Series 2001 "B", the Series 2002 "A", the Series 2002 "B", the Series 2002 "C", the Series 2002 "D", the Series 2002 "E", the Series 2003 "A", the Series 2003 "B" and the Series 2004 "A" are first lien bonds. The Series 1990 "B" bonds are second lien bonds.

On October 23, 1999, the District entered in an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$30,797,296, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$26,207,082 and \$27,265,953, respectively, was outstanding on the loan.

On March 30, 2001, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$429,000, at an annual interest rate of zero percent for a term not to exceed 20 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$333,446 and \$355,617, respectively, was outstanding on the loan.

Notes to Financial Statements

On June 25, 2001, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$2,909,850, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$2,473,368 and \$2,570,364, respectively, was outstanding on the loan.

On May 9, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$750,000, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$656,250 and \$681,250, respectively, was outstanding on the loan.

On July 11, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$456,548, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$399,473 and \$414,693, respectively, was outstanding on the loan.

On August 28, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$30,500,000, at an annual interest rate of zero percent for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$28,935,896 and \$29,978,632, respectively, was outstanding on the loan.

On August 28, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$4,965,456, at an annual interest rate of 5.80% for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$4,918,972 and \$4,965,456, respectively, was outstanding on the loan.

On August 28, 2002, the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$560,822, at an annual interest rate of 5.80% for a term not to exceed 30 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$556,210 and \$560,822, respectively, was outstanding on the loan.

Notes to Financial Statements

On August 14, 2003 the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$252,922 at an annual interest rate of 2.00% for a term not to exceed 20 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$226,544 and \$237,253, respectively, was outstanding on the loan.

On August 14, 2003 the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$330,862, at an annual interest rate of 2.00% for a term not to exceed 20 years. The loan proceeds will be used for construction and acquisition of treatment plant and collection system in the Inwood, West Virginia area. As of June 30, 2006 and 2005, \$296,353 and \$310,363, respectively was outstanding on the loan.

On November 30, 2004 the District entered into an agreement with the West Virginia State Revolving Loan Fund, the West Virginia Water Development Authority, and the West Virginia Division of Environmental Protection for a loan in the amount of \$1,999,600, at an annual interest rate of zero percent for a term not to exceed 35 years. The loan proceeds were used to curtail the bond anticipation note. As of June 30, 2006, \$1,927,151 was outstanding on the loan.

Note Payable

On March 13, 2003, the District entered into an agreement with a local bank for a \$5,000,000 revolving line of credit with an interest rate of 4.50%, interest only payable monthly, with principal payable on demand. The proceeds will be used in connection with the Inwood area sewer project. As of June 30, 2006 and 2005, \$2,187,266 and \$233,722, respectively, was outstanding on the line of credit.

On March 8, 2005, the District entered into an agreement with a local bank for a \$557,000 loan with an interest rate of 4.47%, interest only payable monthly for six months, then fixed interest and principal payments of \$10,431 for 60 months. The loan matures on October 8, 2010. The proceeds will be used in connection with the purchase of capital equipment. As of June 30, 2006 and 2005, \$471,828 and \$393,418, respectively, was outstanding on the loan.

On March 8, 2005, the District entered into an agreement with a local bank for a \$781,937 loan with an interest rate of 4.47%, fixed principal and interest payments of \$8,118 for 59 months with a balloon payment of \$440,814 due on March 8, 2010. The proceeds will be used in connection with the Sylvan Grove system and the Apache pump station upgrade. As of June 30, 2006 and 2005, \$696,939 and \$749,465, respectively, was outstanding on the loan.

Notes to Financial Statements

The following is a summary of annual debt service requirements on notes payable at June 30, 2006:

	Interest	Principal	Total
2007	\$ 49,084	\$ 2,360,769	\$ 2,409,853
2008	41,167	181,420	222,587
2009	32,889	189,698	222,587
2010	17,933	605,532	623,465
2011	191	18,614	18,805
	\$ 141,264	\$ 3,356,033	\$ 3,497,297

Long-Term Liabilities

Long-term liability activity for the year ending June 30, 2006 was as follows:

	Balance, July 1, 2005	Additions	Reductions	Balance, June 30, 2006	Amounts Due Within One Year
Bonds Payable					
Revenue bonds payable	\$ 85,542,697	\$ --	\$ (3,283,327)	82,259,370	\$ 3,293,207
Less					
Unamortized advanced refunding	449,789	--	(21,419)	428,370	--
Total bonds payable	\$ 85,092,908	\$ --	\$ (3,261,908)	\$ 81,831,000	\$ 3,293,207
Other Liabilities					
Notes Payable	1,376,605	2,195,834	(216,406)	3,356,033	2,360,769
Developer's contract payable	303,910	348,795	(122,435)	530,270	182,148
Capital lease payable	375,421	2,397	(131,365)	246,453	106,769
	\$ 87,148,844	\$ 2,547,026	\$ (3,732,114)	\$ 85,963,756	\$ 5,942,893

Notes to Financial Statements

Note 5. Pension Plan

The District is a participant in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing multiple-employer pension plan. The pension plan covers all the District's employees whose tenure is not temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60. Contributions to the WVPERS by the District are 10.5% of eligible employees' compensation. In addition, the District withholds 4.5% of the eligible employee's compensation and remits the withholding on a monthly basis to the WVPERS. The District's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are established pursuant to the West Virginia Public Employees Retirement Act. The employer contributions for the years ended June 30, 2006 and 2005, were \$194,459 and \$167,298, respectively, representing 10.5% of the year's covered payroll. The employee contributions for the years ended June 30, 2006 and 2005, were \$86,963 and \$71,699, respectively, representing 4.5% of the year's covered payroll. Total covered payroll for the years ended June 30, 2006 and 2005 were \$1,932,517 and \$1,593,317.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligation (actuarial present value of credit projected benefits), net assets available for benefits, historical trends, and related party transactions are not readily available since such determinations are made and information is kept on a system-wide basis and not for the individual participating entities. This information is available in the separately issued financial statements of the WVPERS at Capitol Complex, Building 5, Room 1000, 1900 Kanawha Boulevard, East, Charleston, West Virginia 25305.

The District provides a 401(a) plan for employees with the 457 Governmental employer deferred compensation match. Employees are eligible to participate in the plans upon hire and after 6 months of service they are eligible to receive up to a 5% match on their contributions. Participants vest after one year. For the 401(a) Plan, employees may contribute the lesser of 25% of their compensation or \$30,000. For the 457 Plan, both employee deferrals and employer contributions are aggregated for purposes of the maximum annual limit of the lesser of \$8,000 or 25% of compensation.

The employer contributions for the years ended June 30, 2006 and 2005, were \$62,309 and \$52,635, respectively. The employee contributions for the years ended June 30, 2006 and 2005, were \$67,489 and \$57,901, respectively. Total covered payroll for the years ended June 30, 2006 and 2005 was \$1,325,574 and \$1,381,146, respectively.

Notes to Financial Statements

Note 6. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in several risk management programs administered by the State of West Virginia.

Workers' Compensation Fund (WCF)

During the period ended June 30, 2006, West Virginia moved from a state-managed Workers' Compensation Insurance Fund to Brickstreet. Nearly every employer in the State, including all Public Service Districts, who have a payroll must have coverage through Brickstreet. The cost of all coverage as determined by Brickstreet is paid by the employers.

Notes to Financial Statements

Note 7. Lease Commitments and Total Rent Expense

The District has entered into various capital leases. The related liability under the capital leases were recorded as follows:

	June 30,	
	2006	2005
7.25% capital lease agreement for the rental of a John Deere backhoe which expires on February 1, 2006 and requires annual rentals of \$15,928.	\$ --	\$ 6,238
Capital lease agreement for the rental of a Xerox copier which expires on December 11, 2009 and requires annual rentals of \$3,295. The lease has a \$1 purchase option at the end of the lease term.	5,678	--
5.394% capital lease agreement for the rental of an excavator which expires on September 30, 2008 and requires annual rentals of \$45,777.	94,370	144,961
12.601% capital lease agreement for the rental of office furniture, which expires on July 7, 2008 and requires annual rentals of \$5,640.	10,287	17,390
10.079% capital lease agreement for the rental of office furniture, which expires on April 1, 2008 and requires annual rentals of \$37,871.	60,526	104,144
1.58% Capital lease agreement for the rental of a Xerox fax machine which expires on January 1, 2007 and requires annual rentals of \$2,749.	1,596	4,353
5.75% Capital lease agreement for the rental of a John Deere Loader, which expires on August 1, 2009 and requires annual rentals of \$11,797.	34,079	49,154
7.194% Capital lease agreement for the rental of a 2003 Ford Expedition which expires on July 30, 2007 and requires annual rentals of 7,852. The lease has a \$16,083 purchase option at the end of the lease term.	22,952	32,441
Capital lease agreement for the rental of a First Data credit card machine which expires on February 10, 2009 and requires annual rentals of \$599.	1,598	--
Capital lease agreement for the rental of a First Data credit card machine which expires on May 10, 2010 and requires annual rentals of \$599.	2,347	--
Capital lease agreement for the rental of a Minolta copier which expires on December 20, 2009 and requires annual rentals of \$3,720.	<u>13,020</u>	<u>16,740</u>
	<u>\$ 246,453</u>	<u>\$ 375,421</u>

Notes to Financial Statements

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2006:

During the year ended June 30:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	12,947	106,769	119,716
2008	4,621	118,810	123,431
2009	524	16,513	17,037
2010	14	4,361	4,375
Total minimum lease payments	<u>\$ 18,106</u>	<u>\$ 246,453</u>	<u>\$ 264,559</u>

During fiscal year 2001, the District entered into an agreement with James River Equipment, Inc. whereby the District rented equipment for three months before leasing. Lease terms were 5.5% capital lease for the rental of an excavator with a hammer which expires on August 7, 2006 and requires annual rentals of \$53,112.

Total rent expense for the years ended June 30, 2006 and 2005 was \$4,106 and \$11,950, respectively.

Note 8. Commitments

The Statements of Net Assets reflects construction costs payable in the amount of \$348,275 and \$539,108 as of June 30, 2006 and 2005, respectively, for construction commitments incurred in which the services have been performed.

Note 9. Investments

The District does not hold any investments. Therefore they do not have a policy addressing investment risk.

Notes to Financial Statements

Note 10. Contributions from developers and others

With the adoption of GASB No. 33, the following components are included in contributions from developers and others:

	2006	2005
Contributions of donated lines and infrastructure	\$ 6,984,125	\$ 6,362,250
Other contributions	<u>2,837,405</u>	<u>1,785,712</u>
Total contributions from developers and others	<u>\$ 9,821,530</u>	<u>\$ 8,147,962</u>

Contributions from developers and others were received in the form of cash, property, water mains, sanitary sewer lines, pumping stations and manholes.

Note 11. Restricted Net Assets

Restricted Net Assets reflects that portion of total net assets legally or contractually segregated for a specific future use. The following amounts represent restricted net assets at June 30, 2006 and 2005:

	2006	2005
Cash and temporary investments		
Debt service funds	\$ 1,164,949	\$ 1,141,786
Debt service reserve funds	2,148,706	1,815,025
Security deposits	424,889	351,829
Renewal and replacement fund	3,454,107	359,533
Construction fund	953,411	2,051,024
Accrued interest	(273,571)	(261,353)
Security deposits	<u>(424,889)</u>	<u>(351,829)</u>
	<u>\$ 7,447,602</u>	<u>\$ 5,106,015</u>

Note 12. Litigation

In May 2005, the West Virginia Department of Environmental Protection (WVDEP) filed civil action against the District alleging the District violated provisions of the West Virginia Water Pollution Act and the West Virginia National Pollutant Discharge Elimination System permit issued to the District. To date, the parties have estimated that the maximum value of the civil penalty will be between \$1,000,000 and \$1,500,000. Negotiations with the WVDEP have resulted in tentative agreement that satisfaction of the civil penalty may be achieved through a combination of a cash payment and a Supplemental Environmental Project (SEP). The District will be able to meet the SEP obligation through adjustment of certain planned projects, which should alleviate liability for amounts designated as SEP. Negotiations with the WVDEP have not yet concluded, but the best estimate for a civil penalty cash payment is between \$100,000 and \$150,000. Due to these ongoing negotiations, there is no liability recorded for the year ended June 30, 2006.

Notes to Financial Statements

The District has numerous claims and pending legal proceedings that generally involve contract and property damage issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the District. In the opinion of management and the District's legal counsel, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings are not expected to have a material adverse effect on the District's financial position, results of operations or cash flows.

The District has certain threatened litigation that involves employment issues. The amount of potential liability, if any, cannot be reasonably estimated and no liability has been recorded for the year ended June 30, 2006.

Note 13. Prior Period Adjustment

Prior year figures have been restated to include developer contributions of lines and infrastructure for the period January 1, 2000 through June 30, 2004. The net effect of the adjustment to total net assets is \$10,692,905 for the period ended June 30, 2005.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Schedules of Operating Expenses
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Collecting System Expenses		
Operations, supervision and labor	\$ 459,487	\$ 404,363
Supplies	77,200	89,959
Maintenance of collecting system	40,739	55,137
	<u>\$ 577,426</u>	<u>\$ 549,459</u>
Pumping System Expenses		
Operations, supervision and labor	\$ 376,058	\$ 256,276
Power purchased	175,250	183,488
Supplies	93,247	36,371
Maintenance of pumping system	70,560	79,916
	<u>\$ 715,115</u>	<u>\$ 556,051</u>
Treatment and Disposal Expenses		
Operations, supervision and labor	\$ 552,803	\$ 430,961
Chemical treatment and supplies	486,952	609,369
Maintenance of treatment system	290,599	72,074
	<u>\$ 1,330,354</u>	<u>\$ 1,112,404</u>
Customers' Accounting and Collection Expense		
Operations, supervision and labor	\$ 194,499	\$ 172,236
Billing, collecting and accounting	70,542	47,343
Meter readings	39,493	34,913
	<u>\$ 304,534</u>	<u>\$ 254,492</u>
General and Administrative Expenses		
Salaries of general officers and office salaries	\$ 268,918	\$ 301,664
Office supplies	21,772	23,440
Accounting and auditing	30,950	27,506
Legal	183,093	47,115
Employee welfare	874,680	748,086
Insurance	205,759	194,588
Miscellaneous	218,938	138,601
Transportation	4,246	4,210
	<u>\$ 1,808,356</u>	<u>\$ 1,485,210</u>
Total operating expenses	<u>\$ 4,735,785</u>	<u>\$ 3,957,616</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the Public Service Board
Berkeley County Public Service Sewer District
Martinsburg, West Virginia

We have audited the financial statements of Berkeley County Public Service Sewer District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 16, 2006. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Berkeley County Public Service Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal audit 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we have reported to management of Berkeley County Public Service Sewer District in a separate letter dated August 16, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley County Public Service Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
August 16, 2006

South Cameron Street
P.O. Box 2560
Winchester, VA 22604
(540) 662-3417
FAX (540) 662-4211

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FORM OF OPINION OF BOND COUNSEL

March 6, 2007

Berkeley County Public Service Sewer District (West Virginia)
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

Berkeley County Public Service District
 Martinsburg, West Virginia

Crews & Associates, Inc.
 Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Berkeley County Public Service Sewer District (West Virginia) (the "Issuer") of its \$3,970,000 in aggregate principal amount Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Series 2007 A Bonds").

The Series 2007 A 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 February 20, 2006, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on February 20, 2006 (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 Series 2007 A Bonds are issued in fully registered form, are dated _____, 2007, upon original issuance, mature on _____ 1 in years and amounts and bear interest payable each ____ 1 and _____ 1, commencing _____ 1, 200__, as follows:

Bond Maturity <u>No. Date (_____ 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>CUSIP No.</u>
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The Series 2007 A 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 Series 2007 A Bonds are issued for the purposes of (i) paying the costs of acquisition and construction of certain additions, betterments and improvements to the System; and (ii) paying the costs of issuance of the Series 2007 A Bonds and other costs in connection with such refunding.

The Series 2007 A Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated February 23, 2007, 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2007 A Bonds (including original issue discount properly allocable to owners of the Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A Bonds to be includable in gross income retroactive to the date of issuance of the Series 2007 A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2007 A Bonds except as expressly set forth in paragraph 5.

5. Under the Act, the Series 2007 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 2007 A Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

6. The Series 2007 A 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 Series 2007 A Bonds, to register any securities under said Securities Acts.

7. The Series 2007 A 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, on a parity with the Issuer's First Lien Bonds, Parity 2007 Bonds and, senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects, all as more fully defined and described in the Resolution.

The Issuer has designated the Series 2007 A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2007 A Bonds.

It is to be understood that the rights of the holders of the Series 2007 A Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Series 2007 A 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 through AR-_____ of said issue, and in our opinion, said Series 2007 A Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

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FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is by and among Berkeley County Public Service Sewer District, a governmental instrumentality and political subdivision of the State of West Virginia (the "Issuer"), and United Bank, Inc., Charleston, West Virginia (the "Dissemination Agent"), in connection with the issuance of \$3,970,000 Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (the "Bonds"). The Bonds are being issued pursuant to the bond resolution adopted by the Issuer on February 20, 2007 (the "Resolution"). The Issuer and Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "Central Post Office" or "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Purchase Contract dated February 23, 2007, which apply to any capitalized term used in the Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix C, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Central Post Office” means the Texas Municipal Advisory Council (“MAC”) (<http://www.disclosureusa.org>) or any successor or alternative entity approved by the United States Securities and Exchange Commission.

“Dissemination Agent” shall initially mean United Bank, Inc. or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of the Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

“Participating Underwriter” shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of West Virginia.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer’s fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2007, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of the Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer’s fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in

compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Central Post Office for delivery to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Central Post Office for delivery to each Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of the Central Post Office for delivery to each National Repository and the State Repository, if any; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Agreement, stating the date it was provided and listing the Central Post Office and all the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2007 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to the Central Post Office for delivery to each nationally recognized municipal securities information repository ("National Repository") and to any West Virginia State information repository ("State Repository"), information and data of the Issuer for the prior fiscal year, including the audited financial statements, prepared in accordance with generally accepted auditing principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the General Resolution;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to the Central Post Office and the Municipal Securities Rulemaking Board for delivery to the National Repository and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. United Bank, Inc., Charleston, West Virginia, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination. The Dissemination Agent shall have only such duties as are specifically set forth in the Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: Berkeley County Public Service Sewer District
65 District Way
Martinsburg, WV 25401

To the Dissemination Agent: United Bank, Inc.
500 Virginia Street, East
Charleston, WV 25301

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under this Disclosure Agreement and to rely upon an opinion of counsel.

Date: March__, 2007

BERKELEY COUNTY PUBLIC SERVICE
SEWER DISTRICT

By: _____
Chairman

UNITED BANK, INC.,
as Dissemination Agent

By: _____

Its: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Berkeley County Public Service Sewer District
Name of Issue: \$3,970,000 Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 2007 A
Date of Issuance: March 6, 2007

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated this _____.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

By: _____
Chairman

EXHIBIT B

Nationally Recognized Municipal
Securities Information Repositories
Approved by the Securities and Exchange
Commission as of March 1, 2007

Central Post Office

Website: <http://www.disclosureusa.org>

Bloomberg Municipal Repository

100 Business Park Drive

Skillman, NJ 08558

Phone: (609) 279-3225

FAX: (609) 279-5962

<http://www.bloomberg.com/markets/rates/municontacts.html>

E-mail: Munis@Bloomberg.com

FT Interactive Data

Attn: NRMSIR

100 William Street, 15th Floor

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SUMMARY OF THE RESOLUTION

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain terms, provisions and covenants of the Resolution. This summary makes use of terms defined in the Resolution, certain of which are defined in "Definitions" which follows. This summary does not purport to be final, complete or definitive, and is qualified by reference to the Resolution in its entirety for the complete and actual terms, provisions and covenants thereof.

Definitions. All capitalized terms used in the Resolution and not otherwise defined in the recitals or in the text thereof 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 2007 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, collectively, the Series 2007 A Bonds, the First Lien Bonds, the Parity 2007 Bonds and the Second Lien Bonds, and any additional Parity Bonds hereafter issued within the terms, restrictions and conditions contained in the Resolution.

"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.

"Capacity Improvement Fee" means the capacity improvement fees in the Issuer's tariff, as approved by the Public Service Commission of West Virginia, by Commission Orders entered on August 31, 2004, and March 28, 2005 in Case No.: 04-0153-PSD-T, and as may be modified by the Public Service Commission of West Virginia from time to time, which fees are paid by any developer or non-developer, as defined in the PSC Orders, which seeks sewer service within the service territory of the Issuer and which capacity improvement fees must be used for the purpose of financing upgrades to, or construction of, improvements to the System.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2007 A Bonds in substantially the form set forth in EXHIBIT A - Series 2007 A BOND FORM, attached thereto.

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

"CIF Bonds" means the Sewer Capacity Improvement Fee Revenue Bonds, Series 2006 A, dated November 2, 2006, issued in the aggregate principal amount of \$15,405,000.

"CIF Resolutions" means, individually or collectively, the resolutions of the Issuer adopted October 17, 2006, authorizing the CIF Bonds.

"CIF Surplus Revenue Fund" means the fund of the Issuer, created in the CIF Resolutions, into which Surplus Revenues may be deposited.

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Bonds for the proceeds representing the original purchase prices thereof.

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

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

"Consulting Engineers" means 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 mean those costs described in Section 1.03 of the Resolution to be a part of the costs of acquisition and construction of the Project.

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

"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 2007 A Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

"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.

"First Lien Bonds" means, collectively, the Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds and the Series 2006 B Bonds.

"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 defined in the Resolution, 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 defined in the resolution), any Tap Fees, as defined in the Resolution, or any Capacity Improvement Fees.

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

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2007 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth in the Resolution, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 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 defined in the Resolution.

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 2007 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2007 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 the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as defined in the Resolution), 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, Inc., Charleston, West Virginia, as the purchaser of the Series 2007 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2007 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 2007 A Bonds directly from the Issuer, as determined by a resolution supplemental thereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2007 A Bonds, as defined in the Resolution, 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 2007 A Bonds.

"Outstanding," when used with reference to the Series 2007 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 the 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 of the Resolution; 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.

"Parity 2007 Bonds," means, collectively, the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds, the Series 2007 E Bonds and the Series 2007 F Bonds.

"Paying Agent," initially, the West Virginia Municipal Bond Commission and any other paying agent or other entity designated as such for the Series 2007 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 of the Resolution.

"Prior Bonds" means, collectively, the Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1994 A Bonds, the Series 1994 C Bonds, the Series 1995 A Bonds, the Series 1995 B Bonds, the Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1996 C Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 1999 A Bonds, the Series 2000 A Bonds, the Series 2001 A Bonds, the Series 2001 B Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2002 D Bonds, the Series 2002 E Bonds, the Series 2003 A Bonds, the Series 2003 B Bonds, the Series 2004 A Bonds, the Series 2006 A Bonds, the Series 2006 B Bonds, and the Series 1990 B Bonds, as defined in the Resolution.

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

"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.

"Purchase Price," for the purpose of computation of the Yield of the Series 2007 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 2007 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 2007 A Bonds of each maturity is sold or, if the Series 2007 A Bonds are privately placed, the price paid by the first buyer of the Series 2007 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 2007 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 2007 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 Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the West Virginia Code of 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is 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 2007 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 2007 A Bonds, and any successor thereto appointed in accordance with Section 8.08 of the Resolution.

"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 thereby.

"Reserve Accounts" means the respective Reserve Accounts established for the Series 2007 A Bonds and the Prior Bonds.

"Resolution" means the Resolution and all orders and resolutions supplemental thereto or amendatory thereof.

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

"RUS Resolution" means the Resolution adopted by the Issuer on February 20, 2007, authorizing the issuance of the Series 2007 B Bonds, the Series 2007 C Bonds, the Series 2007 D Bonds, the Series 2007 E Bonds, and the Series 2007 F Bonds.

"Second Lien Bonds" means the Series 1990 B Bonds.

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

"Series 2007 A Bonds" means the Sewer Revenue Bonds, Series 2007 A (Bank Qualified), of the Issuer, originally authorized to be issued pursuant to the Resolution

"Series 2007 A Bonds Construction Fund" means the Series 2007 A Bonds Construction Fund created by Section 4.01 of the Resolution.

"Series 2007 A Bonds Redemption Account" means the Series 2007 A Bonds Redemption Account created by Section 4.02 of the Resolution.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account created by Section 4.02 of the Resolution.

"Series 2007 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 2007 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2007 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2007 A Bonds.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund created by Section 4.02 of the Resolution.

"Series 2007 B Bonds" means the Sewer Revenue Bonds, Series 2007 B (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 C Bonds" means the Sewer Revenue Bonds, Series 2007 C (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 D Bonds" means the Sewer Revenue Bonds, Series 2007 D (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 E Bonds" means the Sewer Revenue Bonds, Series 2007 E (United States Department of Agriculture), issued simultaneously therewith.

"Series 2007 F Bonds" means the Sewer Revenue Bonds, Series 2007 F (United States Department of Agriculture), issued simultaneously therewith.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2007 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution amendatory thereof or supplemental thereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution to be adopted by the Issuer following adoption of the Resolution, setting forth the final amounts, maturities, interest rates and other terms of the Series 2007 A Bonds and authorizing the sale of the Series 2007 A Bonds to the Original Purchaser; 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 the 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, the Sinking Funds and the Reserve Accounts.

"System" means the complete public sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof, and all sewerage facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the sewerage system, 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 of the Resolution.

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 the Resolution as they are used. Accounting terms not specifically defined in the Resolution shall be given meaning in accordance with generally accepted accounting principles.

The terms "therein," "thereunder," "thereby," "thereto," "thereof" and any similar terms refer to the Resolution; and the term "thereafter" means after the date of adoption of the Resolution.

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

Disposition of Proceeds of Bond. Upon the issuance and delivery of the Series 2007 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2007 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2007 A Bonds Sinking Fund and applied to payment of interest on the Series 2007 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2007 A Bonds equal to the Series 2007 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2007 A Bonds Reserve Account, if funded by proceeds of the Series 2007 A Bonds, provided that, to the extent the Series 2007 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2007 A Bonds shall be used to purchase said reserve account letter of credit, surety bond or other credit facility and proceeds of the Series 2007 A Bonds shall be deposited in the Series 2007 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2007 A Bonds Reserve Requirement.

3. An amount of the proceeds of the Series 2007 A Bonds which shall be sufficient to pay the costs of issuance of the Series 2007 A Bonds 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 2007 A Bonds. 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 may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. 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 2007 A Bonds Construction Fund.

4. The balance of proceeds of the Series 2007 A Bonds, not used for any of the purposes set forth above, shall be deposited in the Series 2007 A Bonds Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay a portion of the costs of acquisition and construction of the Project and disbursed as provided in Section 3.15 of the Resolution.

Establishment of Funds and Accounts with Depository Bank. Pursuant to Article IV of the Resolution, the following special funds or accounts are thereby 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) Operation and Maintenance Fund (established by the Prior Resolutions);
- (3) Renewal and Replacement Fund (established by the Prior Resolutions);
- (4) CIF Surplus Fund (established by the CIF Resolutions);
- (5) Series 2007 A Bonds Construction Fund;
- (6) Costs of Issuance Fund; and
- (7) Rebate Fund.

Establishment of Funds and Accounts with Bond Commission. Pursuant to Article IV of the Resolution, the following special funds or accounts are thereby created with 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 2007 A Bonds Sinking Fund;
- (2) Within the Series 2007 A Bonds Sinking Fund, the Series 2007 A Bonds Redemption Account; and

(3) Series 2007 A Bonds Reserve Account.

System Revenues and Application Thereof. So long as any of the 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 the 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 provided in the Resolution.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary to pay the current 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 or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay interest on the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay interest on the Parity 2007 Bonds; and (iii) commencing 6 months prior to the first interest payment date on the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2007 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 2007 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 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds

Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission or the National Finance Office, as applicable (i) for deposit in the respective Sinking Funds, the amounts required by the Prior Resolutions to pay the principal of the First Lien Bonds; (ii) the amounts required by the RUS Resolution to pay the principal of the Parity 2007 Bonds; and (iii) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Sinking Fund, and in the Series 2007 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 2007 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 2007 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 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the respective Reserve Accounts (i) the amounts required under the Prior Resolutions to fund the respective reserves requirements for the First Lien Bonds; (ii) the amounts required under the RUS Resolution to fund the respective reserves requirements for the Parity 2007 Bonds; and (iii) commencing 12

months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article V of the Resolution. 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 monies from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Sinking Fund for the Second Lien Bonds the amount required under the Prior Resolutions to pay principal of the Second Lien Bonds.

(7) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Reserve Account for the Second Lien Bonds the amount required under the Prior Resolutions.

(8) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund the amount, if any, required by the CIF Resolutions to be deposited into the CIF Surplus Fund.

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

Monies in the Series 2007 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2007 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 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 2007 A Bonds Sinking Fund or the Series 2007 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2007 A Bonds issued pursuant to the Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2007 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2007 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 requirements therefor.

The payments into the Series 2007 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 the Resolution.

The Issuer shall restore any withdrawals from the Series 2007 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2007 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.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the First Lien Bonds, the Series 2007 A Bonds and the Parity 2007 Bonds, senior and prior to the principal, interest or reserve payments for the Second Lien Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is thereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account created thereunder, 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 therein.

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 all funds and accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

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, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments thereunder.

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.

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 the Resolution in Qualified Investments to the fullest extent possible under applicable laws, the Resolution, the need for such monies for the purposes set forth in the Resolution 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 2007 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 annually transfer from the Series 2007 A Bonds Reserve Account, pro rata, to the Series 2007 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 2007 A Bonds Reserve Account an amount at least equal to the Series 2007 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 2007 A Bonds Reserve Account, whereupon such account shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2007 A Bonds Reserve Account shall, at any time, be less than the Series 2007 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues in the order set forth in 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 2007 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 2007 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the West Virginia Code of 1931, as amended.

Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2007 A Bonds in such manner and to such extent as may be necessary, so that the Series 2007 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 2007 A Bonds) so that the interest on the Series 2007 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.

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 2007 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2007 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 the 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 therein to the contrary, shall be paid from investment earnings on the underlying fund or account established thereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything therein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge thereunder 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 2007 A Bonds from gross income for federal income tax purposes.

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.

Covenants Binding and Irrevocable. All the covenants, agreements and provisions of the 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 2007 A Bonds, as prescribed by Article VII of the Resolution. In addition to the other covenants, agreements and provisions of the Resolution, the Issuer thereby covenants and agrees with the Holders of the Series 2007 A Bonds, as provided in Article VI of the Resolution. All such covenants, agreements and provisions shall be irrevocable, except as provided in the Resolution, as long as any of the Series 2007 A Bonds, or the interest thereon, are Outstanding and unpaid.

Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution but shall be payable solely from the Net Revenues of the System, the monies in the Series 2007 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2007 A Bonds or monies in the Series 2007 A Bonds Construction Fund, all as therein provided. No Holder or Holders of the Series 2007 A Bonds issued thereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds, or the interest thereon.

Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Series 2007 A Bonds issued thereunder shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the First Lien Bonds and Parity 2007 Bonds, which lien and pledge are senior and prior to the lien on the Net Revenues in favor of the Holders of the Second Lien Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 2007 A Bonds authorized in the Resolution, and to make the payments into the Series 2007 A Bonds Sinking Fund, the Series 2007 A Bonds Reserve Account, and all other payments provided for in the Resolution, are thereby irrevocably pledged in the manner provided in the Resolution to the payment of the interest on and principal of the Series 2007 A Bonds authorized in the Resolution as the same become due and for the other purposes provided in the Resolution.

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 thereunder. 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 thereby 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 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2007 A Bonds, including the First Lien Bonds, the Parity 2007 Bonds and the Second Lien Bonds.

The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer either is or is not in compliance with the rate covenant contained in this Section 6.04. In the event that any audit contains a statement that the Issuer is not in compliance with the rate covenant contained in this Section 6.04, the Issuer thereby covenants that it shall, within sixty (60) days of receiving the audit report, file a request with the Public Service Commission of West Virginia for a rate increase sufficient to comply with the above-mentioned rate requirement.

Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer 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 said System in the manner provided in the Resolution.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 2007 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 the Resolution in accordance with Article IX of the Resolution. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2007 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2007 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 2007 A Bonds. Any balance remaining after the payment of the Series 2007 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 thereby 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 in the Resolution 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. 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 the 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. 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.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. 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 2007 A Bonds, except as provided in Section 6.08 of the Resolution. All obligations issued by the Issuer after the issuance of the Series 2007 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 2007 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 in the Resolution 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 2007 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 2007 A Bonds and the interest thereon, if any, in the Resolution, or upon the System or any part thereof.

Additional Parity Bonds. So long as the Prior Bonds and the Parity 2007 Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions and the RUS Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to the Resolution, except under the conditions and in the manner provided in the Resolution (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued thereunder shall be on a parity in all respects with the Series 2007 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 provided in the Resolution 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 the Resolution then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12-consecutive-month period 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, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

All covenants and other provisions of the 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 the Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the 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 2007 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 2007 A Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in the Resolution with respect to the Bonds then Outstanding, and any other payments provided for in the 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 the Resolution.

Insurance and Bonds. The Issuer thereby covenants and agrees, that so long as the Series 2007 A 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 in the Resolution 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.

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.

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 20 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 water 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 either System until all billing for charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, has been fully paid. If the water facilities are 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.

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.

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 Series 2007 A Bond 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 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 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 therein 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 the Resolution and shall file said report with the Original Purchaser.

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, and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

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 Department 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 Department 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 thereby 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.

Statutory Mortgage Lien. For the further protection of the Holders of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is thereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2007 A Bonds, pro rata, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the First Lien Bonds and the Parity 2007 Bonds, and senior and prior to the lien in favor of the Holders of the Second Lien Bonds.

Capital Improvements Payable from Capacity Improvement Fee Fund.

Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2007 A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in the Resolution or any Supplemental Resolution or in the Series 2007 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;

(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; or

(D) If default occurs with respect to the Prior Bonds and the Parity 2007 Bonds or the Prior Resolutions and RUS Resolution.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure to pay principal of or interest on the Bonds shall be an immediate event of default.

Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder 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 the Resolution;

(C) Bring suit upon the Series 2007 A 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 the Resolution or the rights of the Bondholders.

No remedy by the terms of the 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 thereunder or now or thereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2007 A Bonds shall be on a parity with one another and also on parity with those of the Holders of the First Lien Bonds and Parity 2007 Bonds, and senior and prior to those of the Holders of the Second Lien Bonds.

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 thereunder 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.

Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder 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 thereby established as provided in the Resolution 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 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 2007 A Bonds issued pursuant to the Resolution and interest thereon and under any covenants of the 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 the 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 therein 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 in the Resolution.

Any receiver appointed as provided in the Resolution 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 2007 A Bonds issued pursuant to the 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 the 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 the Resolution, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Resolution, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Financial Guaranty Insurance Policy were then in effect.

Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under the 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 thereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Series 2007 A 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 Resolution and the pledges of the Net Revenues and other monies and securities pledged thereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2007 A Bonds made thereunder, 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 2007 A Bonds from gross income for federal income tax purposes.

The Series 2007 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 2007 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 2007 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 2007 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2007 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 2007 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 2007 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 of the Resolution or such additional securities as shall be set forth in the Supplemental Resolution.

Amendment of Resolution. Prior to issuance of the Series 2007 A Bonds, the Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 A Bonds, the 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. No materially adverse amendment or modification to the 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 2007 A Bonds then Outstanding and affected thereby, 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 2007 A Bonds without the express written consent of the Holder of each Series 2007 A Bond so affected, nor

reduce the percentage of Series 2007 A Bonds required for consent to any such modification or amendment.

APPENDIX G

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Net Revenues as principal of and interest on the Series 2007 A Bonds and the amounts due on the First Lien Bonds, the Second Lien Bonds and the Parity 2007 Bonds.

DATE	First Lien Debt	Second Lien Debt	Series 2006A CIF Bonds	Series 2007A	Total
06/30/2007	3,794,931	2,300	308,380	228,156	4,333,768
06/30/2008	3,952,528	2,300	1,180,269	226,516	5,361,613
06/30/2009	4,018,343	2,300	1,219,269	224,876	5,464,788
06/30/2010	4,022,603	2,300	1,216,519	223,236	5,464,658
06/30/2011	4,021,498	2,300	1,217,784	226,596	5,468,178
06/30/2012	4,025,021	2,300	1,213,066	224,751	5,465,138
06/30/2013	4,018,259	2,300	1,216,724	227,816	5,465,098
06/30/2014	4,021,212	2,300	1,213,785	225,666	5,462,963
06/30/2015	3,933,490	2,300	1,214,595	223,516	5,373,901
06/30/2016	3,790,138	2,300	1,213,710	226,366	5,232,514
06/30/2017	3,477,689	2,300	1,210,920	224,001	4,914,910
06/30/2018	3,367,924	2,300	1,210,125	226,526	4,806,875
06/30/2019	3,330,791	2,300	1,206,500	223,826	4,763,417
06/30/2020	3,293,121	2,300	1,206,000	226,126	4,727,547
06/30/2021	3,287,188	2,300	1,208,375	223,201	4,721,064
06/30/2022	3,269,346	2,300	1,203,625	225,276	4,700,547
06/30/2023	3,267,673	2,300	1,201,750	227,039	4,698,761
06/30/2024	3,265,349	2,300	1,202,500	223,570	4,693,719
06/30/2025	3,222,461	2,300	1,200,750	225,101	4,650,612
06/30/2026	3,139,517	2,300	1,201,375	226,401	4,569,593
06/30/2027	2,842,590	2,300	1,199,250	227,470	4,271,610
06/30/2028	2,842,588	2,300	-	223,285	3,068,173
06/30/2029	2,836,842	2,108	-	224,100	3,063,050
06/30/2030	2,217,256	-	-	224,683	2,441,939
06/30/2031	1,629,241	-	-	225,033	1,854,274
06/30/2032	1,545,270	-	-	225,150	1,770,420
06/30/2033	1,491,655	-	-	225,035	1,716,690
06/30/2034	1,466,156	-	-	224,688	1,690,844
06/30/2035	597,510	-	-	224,108	821,617
06/30/2036	426,197	-	-	223,295	649,492
06/30/2037	426,190	-	-	227,250	653,440
06/30/2038	426,182	-	-	225,250	651,432
06/30/2039	426,174	-	-	228,000	654,174
06/30/2040	148,571	-	-	225,250	373,821
06/30/2041	60,328	-	-	227,250	287,578
06/30/2042	6,165	-	-	223,750	229,915
06/30/2043	-	-	-	225,000	225,000
06/30/2044	-	-	-	225,750	225,750
06/30/2045	-	-	-	226,000	226,000
06/30/2046	-	-	-	225,750	225,750
06/30/2047	-	-	-	-	-
Total	91,907,995	52,705	24,465,270	9,014,661	125,440,631

\$3,970,000
Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 2007 A (Bank-Qualified)

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 Berkeley County Public Service Sewer District (the "Issuer"), authorized to execute and deliver this Certificate and further certifies on behalf of the Issuer to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12, as amended, under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with the offering and sale of Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (Bank-Qualified) (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated February 21, 2007, setting forth information concerning the Bonds and the District (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 Identify of the Underwriter and other terms of the Bonds, all with respect to the Bonds.

(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 Issuer and/or the County Commission shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 21ST day of
February, 2007.

BERKELEY COUNTY PUBLIC SERVICE
SEWER DISTRICT

By: 
Its: Chairman

\$3,970,000
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BONDS
SERIES 2007 A (BANK-QUALIFIED)

BOND PURCHASE AGREEMENT

February 23, 2007

Berkeley County Public Service Sewer District
65 District Way
Martinsburg, WV 25401

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the Berkeley County Public Service Sewer District (the "District"). This offer is made subject to acceptance and execution of this Purchase Agreement by the District prior to 11:59 p.m., local prevailing time on the date hereof, or until withdrawn by the Underwriter upon written notice to the District as permitted herein, whichever shall occur earlier. Upon such acceptance and approval, as evidenced by the signature of the Chairman of the District in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriter.

All capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings set forth in the hereinafter described Resolution.

1. The Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (Bank Qualified) (the "Bonds") are being issued, along with other available funds, to : (i) construct, operate and maintain the North Berkeley Sewer Project Phase I and (ii) pay certain costs of issuance of the Bonds and related costs.

The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the Bond Resolution adopted by the Board of the District on February 20, 2007 (the "Resolution") and as supplemented by a Supplemental Parameters Resolution on February 20, 2007 (collectively, the "Resolution"). The Bonds shall be secured by the net revenues collected by the District from the operation of its sewer system on a parity with the First Lien Bonds and the Parity 2007 Bonds of the District and senior and prior to the Second Lien Bonds of the District.

Upon the terms and conditions and upon the basis of the representations and warranties set forth in this Purchase Agreement, the Underwriter agrees to purchase from the District, and the District agrees to sell to the Underwriter, the Bonds, at an aggregate purchase price of \$3,896,127.73 (\$3,970,000 minus Underwriter's Discount of \$79,400.00, plus accrued interest of \$2,613.28 and a net reoffering premium of \$2,914.45). The Bonds shall mature on the dates and in the amounts, and shall bear interest from their date (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if the Bond is called for prior redemption and payment on such date is provided for, payable semiannually March 1 and September 1 of each year, commencing September 1, 2007, as more fully described on Exhibit A-1 attached hereto and incorporated herein by reference.

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices as set forth in the Official Statement (as hereinafter defined) and in Exhibit A-1, which prices may be changed from time to time by the Underwriter.

2. Concurrently with the acceptance of this Purchase Agreement by the District, the District shall deliver or cause to be delivered to the Underwriter three copies of the Official Statement relating to the Bonds, substantially in the form of the Preliminary Official Statement, dated February 21, 2007 (the "Preliminary Official Statement") and prior to delivery of the Bonds, seven copies of the Official Statement (the "Official Statement") dated the date of this Purchase Agreement, signed on behalf of the District by its Chairman as requested below.

3. The Official Statement has been approved for distribution by the Resolution. The District authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Bonds.

On February 21, 2007, the District delivered to the Underwriter the Preliminary Official Statement and the Underwriter received a certificate from the District which deemed the Preliminary Official Statement "final" within the meaning of clause (b)(1) of Rule 15c2-12 ("Rule 15c2-12") under the Securities and Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) and Rule G-32 and all other rules of the Municipal Securities Rulemaking Board. The District shall deliver or cause to be delivered to the Underwriter, after the acceptance by the District of this Purchase Agreement, and within the time required by Rule 15c2-12, an adequate number of copies of the Official Statement.

Unless otherwise notified in writing by the Underwriter on or prior to the date of Closing, the "End of the Underwriting Period" for the Bonds for all purposes of Rule 15c2-12 is the date of the Closing, as hereinafter defined. In the event such notice is given in writing by the Underwriter, the Underwriter agrees to notify the District in writing following the occurrence of the End of the Underwriting Period for the Bonds as defined in Rule 15c2-12.

The District covenants and agrees that if, after the date of this Purchase Agreement and until after the End of the Underwriting Period (as determined above), any

event shall occur of which the District has actual knowledge as a result of which it is necessary to amend or supplement the Official Statement to make the Official Statement not misleading in any material respect in light of the circumstances then existing, or if it is necessary to amend or supplement the Official Statement to comply with law, to notify the Underwriter (and for the purposes hereof to provide the Underwriter with such information as they may from time to time reasonably request), and to cooperate in the preparation of a reasonable number of copies of either amendments or supplements to the Official Statement (in form and substance satisfactory to the Underwriter and its counsel) at the expense of the District so that the Official Statement as so amended and supplemented will not 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 existing at the time the Official Statement is delivered to a purchaser, not misleading in any material respect.

For the purposes of this paragraph and for only so long as required by this paragraph, the District will furnish such information with respect to itself as the Underwriter from time to time reasonably requests. The Underwriter hereby agrees that it will deposit or cause to be deposited with a nationally recognized municipal securities information repository a copy of the Official Statement at or prior to the time contemplated by Rule 15c2-12.

The Underwriter acknowledges and agrees that any liability of the District that may arise from its representations and agreements made in this paragraph 3 shall be limited to the proceeds of the Bonds (provided that the foregoing shall not be deemed to prevent the Underwriter or the District from seeking to enforce such agreements).

4. At 10:00 a.m. prevailing time, on March 6, 2007, or such other dates as shall be agreed upon by the parties to this Purchase Agreement (the "Closing"), the District will deliver or cause to be delivered to the Underwriter, (a) the Bonds in the form of one certificate for each maturity fully registered in the name of CEDE & CO., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), duly executed by the District and authenticated by the Registrar, and (b) at such other place as we mutually agree upon, will deliver to the Underwriter the other documents required in this Purchase Agreement and by the Resolution. Upon such delivery of the Bonds, the Underwriter will accept such delivery and pay the purchase price therefor, plus any accrued interest thereon, in immediately available funds to the order of the Depository Bank, for the account of the District. Such delivery shall be made at DTC, with the payment and other requisite actions to be taken at the place designated by the parties to this Purchase Agreement. The Bonds shall be made available to the Underwriter at DTC at least forty-eight (48) hours before the Closing for the purpose of inspection and packaging; provided that if DTC Fast delivery is used, then the Bonds shall be made available to the Registrar by 4:00 p.m. on March 5, 2007. If the District does not have a Blanket DTC Letter of Representation (the "DTC Letter of Representations"), the District agrees to provide one to DTC.

5. The District represents and warrants to the Underwriter and agrees that:

(a) The District is a public service district and public corporation and political subdivision of the State of West Virginia in Berkeley County of said State. The 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, 1931, as amended (the "Act");

(b) The District shall have complied and will comply at each Closing in all respects with all applicable statutes and laws, including the Act;

(c) The District has full legal right, power and authority to acquire and construct the Project, issue bonds for purposes provided in the Resolution and to enter into this Purchase Agreement, to enact the Resolution and to issue, sell and deliver the Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(d) The information contained in the Preliminary Official Statement dated February 21, 2007, and in the Official Statement, is and, as of the Closing Date (as hereinafter defined), will be true and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(e) At the time of the District's acceptance hereof and (unless an event occurs of the nature described in subparagraph (i)) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the respective series of Bonds (as determined in accordance with subparagraph (i) hereof), the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) If the Official Statement is supplemented or amended pursuant to subparagraph (i) at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the respective series of Bonds (as determined in accordance with subparagraph (i) hereof), the Official Statement as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) If during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting

Period for the respective series of Bonds (as determined in accordance with subparagraph (k) hereof) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance approved by the District and acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

(h) Prior to the District's acceptance hereof, the District delivered to the Underwriter copies of the Preliminary Official Statement which the District deemed final (for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934) as of the date thereof; provided, however, that in making the representation and warranty contained in this paragraph (h) the District shall not be deemed to have made any additional representation or warranty as to the Preliminary Official Statement other than the representation and warranty contained in paragraph (e);

(i) For purposes of this Purchase Agreement, the End of the Underwriting Period for the respective series of Bonds shall mean the earlier of (a) the day of the Closing unless the District has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the End of the Underwriting Period for the respective series of Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (b) the date on which notice is given to the District by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the District pursuant to clause (a) above that the End of the Underwriting Period for the respective series of Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the District in writing as soon as practicable following the "end of the underwriting period" for the respective series of Bonds for all purposes of the Rule;

(j) At or prior to the Closing, the District shall have duly authorized, executed and delivered a written continuing disclosure undertaking (an "Undertaking") which complies with the provisions of Rule 15c2-12(b)(5) and which shall be substantially in the form described in the Preliminary Official Statement;

(k) The District has duly authorized all necessary action to be taken by it for: (1) the acquisition and construction of the Project; (2) the issuance and sale of the Bonds upon the terms set forth herein, in the Resolution and in the Official Statement; (3) the execution and delivery of the Resolution and the Undertaking; (4) the approval of the Official Statement and the execution of the Official Statement by the Chairman of the District; (5) the

execution, delivery, receipt and due performance of this Purchase Agreement, the Bonds, the Undertaking, the Resolution and any and all such other agreements and documents as may be required to be executed, delivered and received by the District in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (6) the carrying out, giving effect to and consummation of the transactions contemplated hereby and by the Resolution and the Official Statement;

(l) When delivered to and paid for by the Underwriter in accordance with the terms of this Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding obligations of the District payable solely from the Net Revenues of the System and moneys pledged therefor under the Resolution and will be entitled to the benefit of the Resolution. Neither the credit nor the taxing power of the District shall be deemed to be pledged to, nor shall a tax ever be levied for the payment of the principal of, premium, if any, or the interest on the Bonds;

(m) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to our knowledge, threatened against or affecting the District (or, to our knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the acquisition and construction of the Project or the validity of the Bonds, the Resolution, the Undertaking, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated hereby or by the Official Statement or the validity of the Bonds, the Resolution, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement;

(n) The execution and delivery of the Official Statement, this Purchase Agreement, the Bonds, the Undertaking, the Resolution and the other agreements contemplated hereby and by the Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the District's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the District is subject or by which the District is or may be bound, and to our knowledge all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby have been obtained;

(o) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certifications may not be relied upon;

(p) All financial statements of the District included as a part of the Preliminary Official Statement and the Official Statement (the "Financial Statements"), fairly present the financial condition of the District's System as of the respective dates and the results of its operations for the respective periods therein set forth and have been prepared

when so indicated in accordance with generally accepted accounting principles consistently applied and since the respective most recent dates as of which information is given in the Preliminary Official Statement or the Official Statement, there has not been any material change in the long-term debt of the District or any material adverse change in the general affairs, management, financial position, or results of operations of the District's System and no material transactions or obligations other than in the ordinary course of business have been entered into with respect to the System by the District, except as reflected in or contemplated by the Official Statement; and

(q) Any certificate signed by the Chairman of the District or any of the District's authorized officers and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein. It is understood that the representations, warranties and covenants by the District contained in this Section 5 and elsewhere in this Purchase Agreement shall not create any general obligation or liability of the District, and that any obligation or liability of the District hereunder or under the Resolution will be payable solely out of the Net Revenues and other income, charges and moneys derived by the District from, or in connection with the System, nor shall any member, official or employee of the District be personally liable therefor.

6. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and agreements of the District made herein. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At or prior to the time of the Closing, the Resolution and the Undertaking, as approved by the Underwriter or its counsel, shall have been approved by the appropriate parties, shall have been duly executed, acknowledged, sealed and delivered, shall be in full force and effect and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter;

(b) The Underwriter shall have the right to cancel its obligations hereunder to purchase the Bonds (such cancellation shall not constitute a default hereunder) by notifying the District in writing of their election to do so between the date hereof and each Closing Date, if at any time hereafter and prior to each Closing Date:

(i) Any legislation, rule or regulation shall be introduced in, or enacted by, the United States House of Representatives or the United States Senate or any committee thereof, or a decision by a court established under Article III of the Constitution of the United States of America, or the Tax Court of the United States, shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed, which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(ii) Any legislation, ordinance, rule or regulation shall be introduced in or enacted by any governmental body, department or agency of the State of West Virginia

or political subdivision thereof, or a decision by any court of competent jurisdiction within the State of West Virginia shall have been rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(iii) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other government agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering for sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all the underlying obligations, as contemplated hereby or by the Official Statement, is in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities and Exchange Act of 1934, as amended and as then in effect, or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect;

(iv) Any event shall have occurred or information become known which, in the Underwriter's reasonable opinion, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement or the Underwriter shall have determined that the Preliminary Official Statement or 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 made, in light of the circumstances under which they were made, not misleading;

(v) A general banking moratorium shall have been established by Federal, New York State or West Virginia authorities;

(vi) In the reasonable opinion of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, has been adversely affected because (1) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, (2) the New York Stock Exchange, other national securities exchange or any governmental authority shall have imposed as to the Bonds or similar obligations any material restrictions not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or (3) war or any outbreak of hostilities or other national or international calamity or crisis shall have occurred or any armed conflict shall have occurred or escalated to such a magnitude as in the reasonable opinion of the Underwriter to have a materially adverse effect on the ability of the Underwriter to market the Bonds; or

(vii) There shall have been any materially adverse change in the affairs of the District; and

(c) At or prior to each Closing, the Underwriter and the District shall receive the following documents, in each case in form and substance satisfactory to us and our counsel:

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(i) An opinion, dated the date of the Closing and addressed to the District, of Steptoe & Johnson PLLC, Bond Counsel, in substantially the form attached as Appendix D to the Official Statement, and an unqualified opinion of such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that such opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(ii) A supplemental bond counsel opinion, dated the date of the Closing and addressed to the Underwriter, of Steptoe & Johnson PLLC, Bond Counsel, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the District; (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; (iii) the statements contained in the Official Statement under the captions "Tax Matters," "Security for the Series 2007 A Bonds," "The Series 2007 A Bonds" (except for the statements made under the sub-captions "Book-Entry Only System" with respect to The Depository Trust Company), "Financing Plan" and the information and statements included in all Appendices attached to the Official Statement are true and accurate in all material respects and presents a fair and accurate summary and description of the matters summarized and described under such caption;

(iii) An opinion, dated the date of Closing and addressed to the Underwriter, of William F. Rohrbaugh, counsel for the District, to the effect that (i) the District has complied with all requirements of the Act that must be satisfied upon and subsequent to issuance of the Bonds, (ii) any requirement as to legal matters as the Underwriter shall reasonably require, (iii) no litigation is pending, or to their knowledge, threatened in any court in any way affecting the existence of the District or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Bonds, or the collection of revenues and assets of the District pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution or this Purchase Contract, or contesting the powers of the State with respect to the Bonds, the Resolution or this Purchase Contract or any transaction described in or contemplated by the Official Statement, (iv) that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no untrue statement regarding the District of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein regarding the District, in light of the circumstances under which they were made, not misleading, and (v) the statements contained in the Official

Statement under the caption "Financing Plan" and "Appendix B—The District and the System," insofar as such statements contained under such caption purport to summarize certain matters set forth therein and certain provisions of the Resolution, are complete and accurate and present a fair summary of the matters referred to therein;

(iv) Two counterpart originals of a transcript of all proceedings relating to the authorization and issuance of the Bonds;

(v) An opinion, dated the date of the Closing and addressed to the Underwriter, of Jackson Kelly PLLC, Underwriter's Counsel, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the Underwriter; (ii) the Continuing Disclosure Certificate complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule; and (iii) that nothing has come to our attention that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no 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;

(vi) A certificate, satisfactory to the Underwriter, of the Chairman of the District or any other of your duly authorized officers satisfactory to the Underwriter, dated as of the Closing, to the effect that: (i) you have duly performed all of your obligations to be performed at or prior to the Closing and that each of your representations and warranties contained herein are true as of Closing, (ii) you have authorized, by all necessary action, the acquisition and construction of the Project, the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Resolution and any and all such other agreements and documents as may be required to be executed, delivered and received by you in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to your knowledge no litigation is pending, or to your knowledge threatened, to restrain or enjoin the acquisition and construction of the Project, the collection of the Net Revenues, the pledge of the Net Revenues to the Bonds, the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds or the Resolution, (iv) the execution, delivery, receipt and due performance of the Bonds, the Undertaking, the Resolution and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and your compliance with the provisions thereof will not conflict with or constitute on your part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which you are

or may be bound and (v) you are in compliance with all covenants in your outstanding resolutions which authorized bonds secured by the Net Revenues of the System;

(vii) A certificate, satisfactory to the Underwriter, of the Consulting Engineer, dated as of the Closing Date, to the effect that, assuming adequate maintenance and repair, the useful life of the Project is not less than thirty (30) years;

(viii) Copies of this Purchase Agreement executed by the parties thereto;

(ix) An unappealable order of the Public Service Commission of West Virginia (the "PSC") granting the Certificate of Convenience and Necessity for the Project, approving the rates and approving the financing thereof;

(x) Duly authorized and executed copies of the Undertaking, in substantially the form attached as Appendix E to the Official Statement and incorporated herein, which complies with the provisions of Rule 15c2-12(b)(5) in form and substance satisfactory to the Underwriter;

(xi) A certificate of the District executed by an authorized officer thereof, dated the Closing Date and in form and substance satisfactory to the Underwriter and counsel to the Underwriter, to the effect that the District is obligated by such Undertaking and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5);

(xii) A certificate from Yount, Hyde and Barbour, P.C., Certified Public Accountants, that the District has Net Revenues sufficient to meet the rate coverage and parity test requirements of the resolutions authorizing the Prior Bonds and the Parity 2007 Bonds;

(xiii) A Certificate of the Registrar to the effect that all conditions precedent contained in the Resolution for the issuance of the Bonds have been met, and are entitled to the benefit and security of the Resolution;

(xiv) The Resolution, certified by the Secretary under the seal of the District, as having been duly adopted by the District and as being in full force and effect, with only such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(xv) Evidence to the effect that the requirements of the Code have been satisfied by the filing of Internal Revenue Service Form 8038-G;

(xvi) Evidence of the United States Department of Agriculture, Rural Utilities Service commitment and closing of the Parity 2007 Bonds;

(xvii) Evidence of the Standard & Poor's rating of "BBB;" and

(xviii) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or their counsel, Jackson Kelly PLLC, reasonably may deem necessary or advisable to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the District's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the District on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the District;

All of the opinions, letters, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter and to Jackson Kelly PLLC, counsel to the Underwriter.

If the District shall be unable to satisfy or cause to be satisfied the conditions to the Underwriter's obligations in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and the Underwriter and the District shall not have any further obligations, claims or rights hereunder. However, the Underwriter may in its discretion waive in writing one or more conditions imposed by this Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

7. The Underwriter shall be under no obligation to pay, and, if the Bonds are issued, the District shall pay or cause to be paid from the proceeds of the Bonds, any fees and expenses incident to the performance of the District's obligations hereunder including (i) all expenses in connection with the printing and distribution of the Preliminary Official Statement, the Official Statement and any amendment or supplement to either; (ii) all expenses in connection with the preparation, printing, issuance and delivery of the Bonds; (iii) the fees and disbursements of Steptoe & Johnson, PLLC, Bond Counsel; (iv) all advertising expenses in connection with the public offering of the Bonds; (v) the fees and disbursements of the Registrar including legal fees of legal counsel; (vi) the fees and expenses of Counsel to the Underwriter; (vii) the fees and expenses of the accountant; (viii) any rating agency fees in connection with the rating of Bonds; and (ix) all other expenses and cost (including the fees and expenses of the District) for the authorization, issuance, sale and distribution of the Bonds.

8. The Underwriter shall pay from the underwriting spread all expenses incurred by it in connection with its public offering and distribution of the Bonds, including all out-of-pocket expenses, travel and other expenses and filing fees.

9. For so long as the Underwriter, or dealers or banks, if any, participating in the distribution of the Bonds, are offering the Bonds which constitute the whole or a part of their unsold participations, the District will: (a) not adopt any amendment or supplement to the Official Statement to which, after having been furnished with a copy, the

Underwriter shall object in writing or which shall be disapproved by Counsel for the Underwriter, unless, in the opinion of the Counsel to the District, such amendment or supplement is required to make the Official Statement not misleading, and (b) if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of Bond Counsel or Counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment or a supplement to the Official Statement (in form and substance satisfactory to the Counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The expense of preparing such amendment or supplement shall be borne by the District. For the purposes of this paragraph, the District will furnish such information with respect to themselves as the Underwriter from time to time may request.

10. Neither the officials of the District nor its employees shall be personally liable for breach of any representation, agreement or warranty made by the District within this Purchase Agreement.

11. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing as follows:

To the District:

Berkeley County Public Service Sewer District
65 District Way
Martinsburg, WV 25401
Attention: Chairman

To the Underwriter:

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

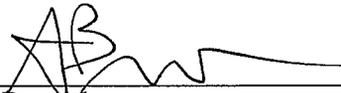
12. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All agreements of the District in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds.

13. This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

14. The approval of the Underwriter when required hereunder or the determination of its satisfaction with any document referred to herein shall be in writing signed by the Representative and delivered to the District. This Purchase Agreement shall become legally effective upon its acceptance by the District, as evidenced by the signature of the Chairman of the District in the space provided hereinafter therefor.

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Crews & Associates, Inc.

By: 
Its: Vice President

ACCEPTED AND APPROVED:

Berkeley County Public Service Sewer District

By: 
Its: Chairman

EXHIBIT A-1

\$3,970,000 Series 2007 A Bonds

\$205,000	4.100%	Term Bonds, Due March 1, 2012 at	100.000%	CUSIP 084249 BR1
\$250,000	4.300%	Term Bonds, Due March 1, 2017 at	100.000%	CUSIP 084249 BS9
\$305,000	4.500%	Term Bonds, Due March 1, 2022 at	100.000%	CUSIP 084249 BT7
\$385,000	4.625%	Term Bonds, Due March 1, 2027 at	99.418%	CUSIP 084249 BU4
\$1,080,000	4.650%	Term Bonds, Due March 1, 2037 at	97.939%	CUSIP 084249 BV2
\$1,745,000	5.000%	Term Bonds, Due March 1, 2047 at	101.571%	CUSIP 084249 BW0

Mandatory Sinking Fund Redemption

The Series 2007 A Bonds maturing on March 1, 2012, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2008	\$40,000
2009	\$40,000
2010	\$40,000
2011	\$40,000
2012 (maturity)	\$45,000

The Series 2007 A Bonds maturing on March 1, 2017, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2013	\$45,000
2014	\$50,000
2015	\$50,000
2016	\$50,000
2017 (maturity)	\$55,000

The Series 2007 A Bonds maturing on March 1, 2022, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2018	\$55,000
2019	\$60,000
2020	\$60,000
2021	\$65,000
2022 (maturity)	\$65,000

The Series 2007 A Bonds maturing on March 1, 2027, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2023	\$70,000
2024	\$75,000
2025	\$75,000
2026	\$80,000
2027 (maturity)	\$85,000

The Series 2007 A Bonds maturing on March 1, 2037, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2028	\$90,000
2029	\$90,000
2030	\$95,000
2031	\$100,000
2032	\$105,000
2033	\$110,000
2034	\$115,000
2035	\$120,000
2036	\$125,000
2037 (maturity)	\$130,000

The Series 2007 A Bonds maturing on March 1, 2047, are subject to mandatory sinking fund redemption prior to maturing on March 1 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>Year</u>	<u>Principal Amount</u>
2038	\$140,000
2039	\$145,000
2040	\$155,000
2041	\$160,000
2042	\$170,000
2043	\$175,000
2044	\$185,000
2045	\$195,000
2046	\$205,000
2047 (maturity)	\$215,000

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.

Optional Redemption

The Series 2007 A Bonds are subject to optional redemption by the Issuer, without premium or penalty, at the direction of the District, on and after March 1, 2017, in whole on any date or in part on any Interest Payment Date (and if in part, the District shall select the maturities of the Series 2007 A Bonds to be redeemed in such order of maturity as the District shall specify and within a maturity by lot or by such other method as the Bond Trustee determines in its sole discretion to be fair and reasonable and in denominations of \$5,000 and integral multiples thereof), at the redemption price of 100% of the principal amount thereof being redeemed, together with accrued interest, if any, to the date fixed for redemption.

Special Redemption

The Series 2007 Bonds are subject to redemption at the option and direction of the District, prior to maturity, in whole or in part from time to time on any Interest Payment Date, with the 2037 Term Bonds being called first, the 2027 Term Bonds being called second and the 2047 Term Bonds being called last, by lot within a maturity, in principal amounts of \$100,000, and multiples of \$5,000 in excess of \$100,000, from amounts deposited with the Bond Trustee by the District from funds of the District available therefore (other than proceeds of refunding bonds or loan proceeds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is by and among Berkeley County Public Service Sewer District, a governmental instrumentality and political subdivision of the State of West Virginia (the "Issuer"), and United Bank, Inc., Charleston, West Virginia (the "Dissemination Agent"), in connection with the issuance of \$3,970,000 Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 2007 A (Bank-Qualified) (the "Bonds"). The Bonds are being issued pursuant to the bond resolution adopted by the Issuer on February 20, 2007 (the "Resolution"). The Issuer and Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5).

Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "Central Post Office" or "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Purchase Contract dated February 23, 2007, which apply to any capitalized term used in the Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating data with respect to the Issuer, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix C, which Annual Financial Information shall include Audited Financial Statements if available on the Report Date, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Central Post Office" means the Texas Municipal Advisory Council ("MAC") (<http://www.disclosureusa.org>) or any successor or alternative entity approved by the United States Securities and Exchange Commission.

"Dissemination Agent" shall initially mean United Bank, Inc. or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean the original underwriter of the Bonds who is required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2007, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Agreement. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of the Agreement. The Issuer shall provide the Dissemination Agent with a copy of each report filed under this Agreement. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent. If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to provide to the Central Post Office for delivery to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the Dissemination Agent shall send a notice to the Central Post Office for delivery to each

Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of the Central Post Office for delivery to each National Repository and the State Repository, if any; and

(ii) file a report with the Issuer certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Agreement, stating the date it was provided and listing the Central Post Office and all the Repositories to which it was provided.

SECTION 4. Content of Annual Financial Information. Within 365 days of the Issuer's 2007 fiscal year-end, and each subsequent fiscal year, the Dissemination Agent shall submit to the Central Post Office for delivery to each nationally recognized municipal securities information repository ("National Repository") and to any West Virginia State information repository ("State Repository"), information and data of the Issuer for the prior fiscal year, including the audited financial statements, prepared in accordance with generally accepted auditing principles in effect from time to time.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled thaws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;

7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities except as provided by the General Resolution;
11. rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to the Central Post Office and the Municipal Securities Rulemaking Board for delivery to the National Repository and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall

give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. United Bank, Inc., Charleston, West Virginia, is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of the Agreement, the Issuer may amend the Agreement, and any provision of the Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Agreement, the Issuer shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other

information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Original Purchaser), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination. The Dissemination Agent shall have only such duties as are specifically set forth in the Agreement, and the Issuer agrees to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	Berkeley County Public Service Sewer District 65 District Way Martinsburg, WV 25401
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To the Dissemination Agent:	United Bank, Inc. 500 Virginia Street, East Charleston, WV 25301
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Fees. The Issuer agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

SECTION 16. Right to Resign. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer.

SECTION 17. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under this Disclosure Agreement and to rely upon an opinion of counsel.

Date: March 6, 2007

BERKELEY COUNTY PUBLIC SERVICE
SEWER DISTRICT

By: *John C. Webb*
Chairman

UNITED BANK, INC.,
as Dissemination Agent

By: *Kurt Smith*
Its: *Via President*

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Berkeley County Public Service Sewer District

Name of Issue: \$3,970,000 Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 2007 A

Date of Issuance: March 6, 2007

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated this _____.

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

By: _____
Chairman

EXHIBIT B

Nationally Recognized Municipal
Securities Information Repositories
Approved by the Securities and Exchange
Commission as of March 1, 2007

Central Post Office

Website: <http://www.disclosureusa.org>

Bloomberg Municipal Repository

100 Business Park Drive

Skillman, NJ 08558

Phone: (609) 279-3225

FAX: (609) 279-5962

<http://www.bloomberg.com/markets/rates/municontacts.html>

E-mail: Munis@Bloomberg.com

FT Interactive Data

Attn: NRMSIR

100 William Street, 15th Floor

New York, NY 10038

Phone: (212) 771-6999

FAX: (212) 771-7390

<http://www.ftid.com>

E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.

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

E-mail: nrmsir_repository@sandp.com

DPC Data Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

FAX: (201) 947-0107

<http://www.dpcdata.com>

E-mail: nrmsir@dpcdata.com

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)

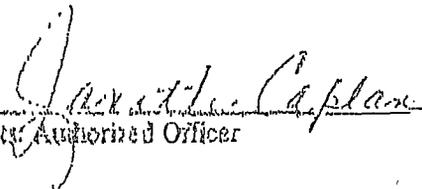
Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Susquehanna Bank, a state banking association in Martinsburg, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Berkeley County Public Service Sewer District (the "Issuer"), adopted February 20, 2007, and a Supplemental Parameters Resolution of the Issuer adopted February 20, 2007 (the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Revenue Bonds, Series 2007 A (Bank Qualified), dated March 6, 2007, in the principal amount of \$3,970,000 (the "Series 2007 A Bonds"), and agrees to serve as Depository Bank in connection with the Series 2007 A Bonds, all as set forth in the Bond Legislation.

WITNESS my signature this 6th day of March, 2007.

SUSQUEHANNA BANK

By: 
Its Authorized Officer

02.26.07
03/23/07 09:15

C:\FH\3255 2

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS
[To be Completed by Issuer and Co-Issuer(s), if applicable]

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
[Name of Issuer and Co-issuers], if applicable]

June 6, 2006
[Date]

[For Municipal Issues:
Underwriting Department—Eligibility: 25th Floor]
[For Corporate Issues:
General Counsel's Office; 22nd 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,

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
(Issuer)

By: *John C. Kunkle*
(Authorized Officer's Signature)

John C. Kunkle, Chairman
(Print Name)

65 District Way
(Street Address)

Martinsburg WV 25401
(City) (State) (Country) (Zip Code)

304, 263-8566
(Phone Number)

(E-mail Address)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: *Dennis Russo*



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 securities 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, 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 and www.dtc.org.

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, 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-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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.

\$3,970,000

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT (WEST VIRGINIA)

Sewer Revenue Bonds, Series 2007 A (Bank Qualified)

REGISTRAR AGREEMENT

THIS AGREEMENT, dated as of the 6th day of March, 2007, by and between BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT, a public service sewer district, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED BANK, INC., Charleston, West Virginia, a state banking company (the "Bank").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$3,970,000 aggregate principal amount of Sewer Revenue Bonds, Series 2007 A (Bank Qualified) in fully registered form (the "Series 2007 A Bonds"), pursuant to a Resolution adopted February 20, 2007, 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 Series 2007 A 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 Series 2007 A 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 Series 2007 A 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: Berkeley County Public Service Sewer District
P.O. Box 944
Martinsburg, West Virginia 25402
Attention: General Manager

REGISTRAR: United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

8. The Bank is hereby requested and authorized to authenticate and deliver the Series 2007 A 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.

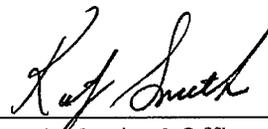
10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

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.

BERKELEY COUNTY PUBLIC SERVICE
SEWER DISTRICT

By: 
Its: Chairman

UNITED BANK, INC.

By: 
Its: Authorized Officer

02.26.07
067740.00015

FEE SCHEDULE

[ON FILE WITH ISSUER]



WEST VIRGINIA

Water Development Authority

Celebrating 32 Years of Service 1974 - 2006

March 6, 2007

Berkeley County Public Service Sewer District
Sewer Refunding Revenue Bonds, Series 2007 A
(Crews & Associates, Inc.)

and

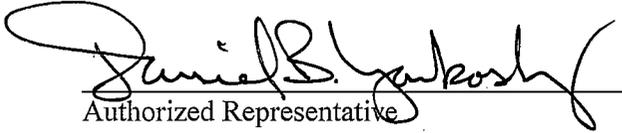
Sewer Refunding Revenue Bonds, Series 2007 B,
Sewer Revenue Bonds, Series 2007 C
Sewer Revenue Bonds, Series 2007 D
Sewer Revenue Bonds, Series 2007 E and
Sewer Revenue Bonds, Series 2007 F
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Yount, Hyde & Barbour, P.C., the certified public accountant of the Issuer and the opinion of Steptoe & Johnson PLLC, as bond counsel of the Issuer, stating that the coverage and parity requirements have been met, the undersigned duly authorized representative of the West Virginia Water Development Authority, the registered owner of the First Lien Bonds and the Second Lien Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewer Revenue Bonds, Series 2007 A (Bank Qualified), issued in the original aggregate principal amount of \$3,970,000, the Sewer Revenue Bonds, Series 2007 B (United States Department of Agriculture), issued in the original aggregate principal amount of \$9,000,000, the Sewer Revenue Bonds, Series 2007 C (United States Department of Agriculture), issued in the original aggregate principal amount of \$9,000,000, the Sewer Revenue Bonds, Series 2007 D (United States Department of Agriculture), issued in the original aggregate principal amount of \$7,104,000, the Sewer Revenue Bonds, Series 2007 E (United States Department of Agriculture), issued in the original aggregate principal amount of \$500,000, and the Sewer Revenue Bonds, Series 2007 F (United States Department of Agriculture), issued in the original aggregate principal amount of \$4,999,900, (collectively, the "Bonds"), by Berkeley County Public Service Sewer District (the "Issuer"), under the terms of the resolution authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's Sewer Revenue Bonds, Series 1986 B, the Sewer Revenue Bonds, Series 1990 A, the Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), the Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), the Sewer Revenue Bonds, Series

180 Association Drive, Charleston, WV 25311-1217
phone (304) 558-3612 / fax (304) 558-0299
www.wvwda.org

1999 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 2000 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 2001 A (West Virginia Infrastructure Fund), the Sewer Revenue Bonds, Series 2001 B (West Virginia SRF Program), the Sewer Revenue Bonds, Series 2002 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), the Sewer Revenue Bonds, Series 2002 C (West Virginia SRF Program), the Sewer Revenue Bonds, Series 2002 D (West Virginia Water Development Authority), the Sewer Revenue Bonds, Series 2002 E (West Virginia Water Development Authority), the Sewer Revenue Bonds, Series 2003 A (West Virginia SRF Program), the Sewer Revenue Bonds, Series 2003 B (West Virginia SRF Program), and the Sewer Revenue Bonds, Series 2004 A (West Virginia Infrastructure Fund) (collectively, the "First Lien Bonds"), and senior and prior, with respect to liens, pledge and source of and security for payment, to the Issuer's Sewer Revenue Bonds, Series 1990 B (the "Second Lien Bonds").


Authorized Representative

Form 8038-G (Rev. November 2000) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

Under Internal Revenue Code section 149(e) See separate instructions.

OMB No. 1545-0720

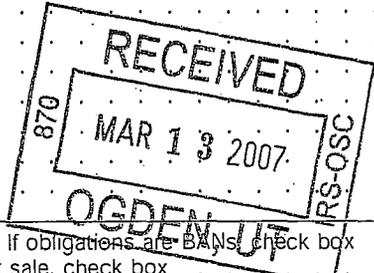
Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority If Amended Return, check here

1 Issuer's name: Berkeley County Public Service Sewer District
2 Issuer's employer identification number: 55 0625031
3 Number and street: 65 District Way
4 Report number: 3 2007-01
5 City, town, or post office, state, and ZIP code: Martinsburg, West Virginia. 25401
6 Date of issue: March 6, 2007
7 Name of issue: Sewer Revenue Bonds, Series 2007 A
8 CUSIP number: 084249BWO
9 Name and title of officer or legal representative: William Rohrbaugh, Esquire
10 Telephone number of officer or legal representative: (304) 263.8566

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 Education
12 Health and hospital
13 Transportation
14 Public safety
15 Environment (including sewage bonds) [checked]
16 Housing
17 Utilities
18 Other. Describe
19 If obligations are TANs or RANs, check box
20 If obligations are in the form of a lease or installment sale, check box
Issue price: 3,972,914.45



Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

Table with 5 columns: (a) Final maturity date, (b) Issue price, (c) Stated redemption price at maturity, (d) Weighted average maturity, (e) Yield. Row 21: March 1, 2047, \$ 3,972,914.45, \$ 3,972,914.45, 26.297 years, 4.8064600 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

Table with 2 columns: Description, Amount. Rows 22-30 showing proceeds used for accrued interest, bond issuance costs, credit enhancement, etc. Total (line 29): 120,008.45

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: N/A 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: N/A
34 Enter the date(s) the refunded bonds were issued: N/A

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5): -0-
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract: -0-
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box [checked]
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box
40 If the issuer has identified a hedge, check box

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: Signature of John C. Kunkle, Date 3/06/07, John Kunkle, Chairman

Date of Report: March 6, 2007

(See Reverse for Instructions)

ISSUE: Berkeley County Public Service Sewer District Sewer Refunding Revenue Bonds, Series 2007 A (Bank Qualified)

ADDRESS: P. O. Box 737, Martinsburg, West Virginia 25402 COUNTY: Berkeley

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

ISSUE DATE: March 6, 2007 CLOSING DATE: March 6, 2007

ISSUE AMOUNT: \$3,970,000 RATE: See attached Debt Service Schedule

1ST DEBT SERVICE DUE: September 1, 2007 1ST PRINCIPAL DUE: March 1, 2008

1ST DEBT SERVICE AMOUNT: \$ 94,078.13 PAYING AGENT: Municipal Bond Commission

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

UNDERWRITERS COUNSEL: Jackson Kelly PLLC
Contact Person: Samme Gee, Esquire
Phone: (304) 340-1318

CLOSING BANK: Susquehanna Bank
Contact Person: Janette Caplan, Branch Manager
Phone: (304) 264-5024

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Paul S. Fisher
Position: Executive Director
Phone: (304) 267-3855

OTHER: Crews & Associates, Inc.
Contact Person: Greg Isaacs, Vice President
Phone: (304) 344-1733

DEPOSITS TO MBC AT CLOSE: X Accrued Interest: \$ 2,613.28
By: X Wire _____ Capitalized Interest: \$ _____
_____ Check _____ Reserve Account: \$ _____
_____ Other: Construction \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire _____ To Escrow Trustee: \$ _____
_____ Check _____ To Issuer: \$ _____
_____ IGT _____ To Cons. Invest. Fund: \$ _____
_____ Internal Transfer _____ To Other: \$ _____

NOTES: _____

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

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

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

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

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

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

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

02.09.07
067740.00015

State of West Virginia



Certificate

*I, Betty Ireland, 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, AS INDICATED BY THE RECORDS OF THIS OFFICE.**



*Given under my hand and the
Great Seal of the State of
West Virginia on*

March 5, 2007

Betty Ireland

Secretary of State

Quality Board, and the rights, powers, and duties of the municipal corporation and the respective officers and departments thereof, including the sanitary board, are governed by the provisions of this article: Provided, That the 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.

History. (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 W. Va. LEXIS 244 (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.

History. (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 W. Va. LEXIS 1 (1957).

ARTICLE 13A.

PUBLIC SERVICE DISTRICTS.

Sec.		Sec.	
16-13A-1.	Legislative findings.		and political subdivision; powers thereof; public service boards.
16-13A-1a.	Jurisdiction of the Public Service Commission.	16-13A-3a.	Removal of members of public service board.
16-13A-1b.	County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.	16-13A-4.	Board chairman; members' compensation; procedure; district name.
16-13A-1c.	General purpose of districts.	16-13A-5.	General manager of board.
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.	16-13A-6.	Employees of board.
16-13A-3.	District to be a public corporation	16-13A-7.	Acquisition and operation of district properties.
		16-13A-8.	Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
		16-13A-9.	Rules; service rates and charges; discontinuance of service; re-

§ 16-13A-1

PUBLIC HEALTH

Sec.		Sec.	
	quired water and sewer connections; lien for delinquent fees.		sewer, stormwater or gas system by district; distribution of proceeds..
16-13A-9a.	Limitations with respect to foreclosure.	16-13A-19.	Statutory mortgage lien created; foreclosure thereof.
16-13A-10.	Budget.	16-13A-20.	Refunding revenue bonds.
16-13A-11.	Accounts; audit.	16-13A-21.	Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
16-13A-12.	Disbursement of district funds.	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.
16-13A-13.	Revenue bonds.	16-13A-23.	Validation of acts and proceedings of public service boards.
16-13A-14.	Items included in cost of properties.	16-13A-24.	Acceptance of loans, grants or temporary advances.
16-13A-15.	Bonds may be secured by trust indenture.	16-13A-25.	Borrowing and bond issuance; procedure.
16-13A-16.	Sinking fund for revenue bonds.		
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.		
16-13A-18.	Operating contracts.		
16-13A-18a.	Sale, lease or rental of water,		

Effect of amendment of 2006. — Acts 2006, c. 190, effective June 8, 2006, deleted “for water, sewerage and gas services” from the article heading.

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 W. Va. LEXIS 42 (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 W. Va. LEXIS 42 (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 W. Va. LEXIS 42 (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 189, 1968 W. Va. LEXIS 149 (1968); State v. Neary, 179 W. Va. 115, 365 S.E.2d 395, 1987 W. Va. LEXIS 687 (1987); McClung Invs., Inc. v. Green Valley Community Pub. Serv. Dist., 199 W. Va. 490, 485 S.E.2d 434, 1997 W. Va. LEXIS 56 (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.

History. (1953, c. 147; 1980, c. 60; 1986, c. 81.)

Code of State Rules References. — Government of public service districts, 150 CSR 17, effective September 1, 1990.

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 W. Va. LEXIS 254 (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 W. Va. LEXIS 317 (1965); *Shobe v. Latimer*, 162 W. Va. 779, 253 S.E.2d 54, 1979 W. Va. LEXIS 352 (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.

History. (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 W. Va. LEXIS 185 (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.

History. (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, 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.

History. (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. Within ten days of fixing the date of hearing, the county commission shall provide the Executive Secretary of the Public Service Commission with a copy of the order or petition and notification of the time and place of the hearing to be held by the county commission. 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 may 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.

History. (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; 2005, c. 195.)

Effect of amendment of 2002. — Acts 2002, c. 272, effective June 7, 2002, in (a), capitalized "On" at the beginning of subdivision (1), and inserted "stormwater services" near the middle of the last sentence.

Effect of amendment of 2005. — Acts 2005, c. 195, effective July 8, 2005, added the second sentence in (c); and made minor stylistic changes.

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 W. Va. LEXIS 42 (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 W. Va. LEXIS 42 (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 refer-

endum; (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 W. Va. LEXIS 254 (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 W. Va. LEXIS 254 (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 under-

take 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 W. Va. LEXIS 42 (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 con-

tinued 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 W. Va. LEXIS 217 (1998).

Cited in State v. Neary, 179 W. Va. 115, 365 S.E.2d 395, 1987 W. Va. LEXIS 687 (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, 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.

History. (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 2002, c. 272, effective June 7, 2002, inserted "or for furnishing stormwater services for the city, town or other municipal corporation" in the second sentence of the first paragraph.

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 W. Va. LEXIS 60 (2000).

Cited in *State v. Neary*, 179 W. Va. 115, 365 S.E.2d 395, 1987 W. Va. LEXIS 687 (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.

History. (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 W. Va. LEXIS 687 (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. The county commission which created a district or county commissions if more than one created the district may, upon written request of the district, adopt an order changing the official name of a public service district: Provided, That such name change will not be effective until approved by the Public Service Commission of West Virginia and the owners of any bonds and notes issued by the district, if any, shall have consented, in writing, to the name change. If a district includes territory located in more than one county, the county commission or county commissions changing the name of the district shall provide any county commission into which the district also extends with a certified copy of the order changing the name of the district. 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.

History. (1953, c. 147; 1981, c. 124; 1986, c. 81; 1997, c. 159; 2000, c. 199; 2005, c. 196.)

Effect of amendment of 2000. — Acts 2000, c. 199, effective June 9, 2000, rewrote the section.

Effect of amendment of 2005. — Acts 2005, c. 196, effective July 7, 2005, rewrote the second sentence in (f) pertaining to the changing of the official or corporate name of a public service district by the public service board; and

made minor stylistic changes.

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 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.

History. (1953, c. 147; 1981, c. 124; 1986, c. 81; 2002, c. 272.)

Effect of amendment of 2002. — Acts third paragraph, and made minor stylistic changes. 2002, c. 272, effective June 7, 2002, inserted "or stormwater" following "sewer" four times in the

§ 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.

History. (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, 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.

History. (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.

History. (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.

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 W. Va. LEXIS 42 (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 W. Va. LEXIS 210 (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 W. Va. LEXIS 210 (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 W. Va. LEXIS 217 (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 W. Va. LEXIS 217 (1998).

Cited in 45 Op. Att'y Gen. 506 (1953).

§ 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.

(a)(1) The board may make, enact and enforce all needful rules 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. 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 the 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 under this article. The schedule of the rates, fees and charges may be based upon:

(A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;

(B) The number and kind of fixtures connected with the facilities located on the various premises;

(C) The number of persons served by the facilities;

(D) Any combination of paragraphs (A), (B) and (C) of this subdivision; 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.

(2) 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 of the charges. 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. Notwithstanding the provisions of section eight [§ 24-3-8], article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or 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. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or fifty dollars and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or fifty dollars. 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 deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or fifty dollars has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the Public Service Commission may prescribe: Provided, That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. 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, ten days after the water or gas services become delinquent.

(b) 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 the 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.

(c) 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 Division of Health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the Division of 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 the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where there is gravity flow or transportation by any other methods approved by the Division of 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 the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs 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 the 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 Division of Health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the Public Service Commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the Division of Health from the house, dwelling or building into the sewer facilities, the district may charge, and the 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, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) Whenever any district has made available a stormwater system to any owner, tenant or occupant of any real property located near the stormwater system and where stormwater from real property affects or drains into the stormwater system, it is hereby found, determined and declared that the owner, tenant or occupant is being served by the stormwater system and it is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the State. The district may charge, and the 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.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are 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: Provided, That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) 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.

History. (1953, c. 147; 1965, c. 134; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1989, c. 174; 1994, c. 61; 2002, c. 272; 2003, c. 183.)

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 October 24, 2003.

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 October 24, 2003.

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.

Effect of amendment of 2003. — Acts 2003, c. 183, effective June 6, 2003, added subsection designations; rewrote present (a)(2), and (c); in (d), substituted "division of health" for "bureau of public health," added "tenant or occupant" to the end of the next-to-last sentence, and added the last sentence; in (f), substituted "gas facilities or stormwater systems or stormwater management programs" for "stormwater systems or stormwater management systems or gas facilities" and added the proviso to the end; and made minor stylistic changes.

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 W. Va. LEXIS 219 (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 W. Va. LEXIS 210 (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 W. Va. LEXIS 488 (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 W. Va. LEXIS 42 (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 W. Va. LEXIS 56 (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 W. Va. LEXIS 185 (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 [§ 16-13A-9] or nineteen [§ 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.

History. (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.

History. (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.

History. (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.

History. (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.

History. (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; 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.

History. (1953, c. 147; 2002, c. 272.)

Effect of amendment of 2002. — Acts "for stormwater systems ... federal and state requirements" following the first phrase.
2002, c. 272, effective June 7, 2002, inserted

§ 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.

History. (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.

History. (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.

History. (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 W. Va. LEXIS 215 (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 W. Va. LEXIS 215 (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.

History. (1953, c. 147.)

§ 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.

History. (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-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.

History. (1953, c. 147.)

Rules of Civil Procedure. — As to abolition of the procedural distinctions between law and equity, see Rule 2.

In general. — The provision granting bondholders a statutory mortgage lien is valid. State

ex rel. *McMillion v. Stahl*, 141 W. Va. 233, 89 S.E.2d 693, 1955 W. Va. LEXIS 42 (1955).

§ 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.

History. (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.

History. (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 W. Va. LEXIS 42 (1955).

Applied in Rhodes v. Malden Pub. Serv. Dist., 171 W. Va. 645, 301 S.E.2d 601, 1983 W. Va. LEXIS 488 (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.

History. (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.

History. (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, 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.

History. (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."

Permissible borrowing. — The borrowing by public service districts of money from counties and/or municipalities, as evidenced by a note, is permissible borrowing under this section. Op. Att'y Gen., May 6, 1988, No. 27.

§ 16-13A-25. Borrowing and bond issuance; procedure.

(a) Notwithstanding any other provisions of this article to the contrary, a public service district may 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 [§ 16-13A-13], twenty [§ 16-13A-20] or twenty-four [§ 16-13A-24] of this article without the prior consent and approval of the Public Service Commission: Provided, That approval of funding set forth in section eleven [§ 24-2-11], article two, chapter twenty-four of this code or this section is not required if the funding is for a project which has received a certificate of public convenience and necessity after eighth day of July, two thousand five, from the commission and where the cost of the project changes but the change does not affect the rates established for the project.

(b) 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, a verified statement by the board members that the public service district has complied 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; or

(2) Completion of a construction project requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver.

(c) An engineering contract that meets one or more of the following criteria is exempt from the waiver or approval requirements:

(1) A contract with a public service district that is a Class A utility on the first day of April, two thousand three, or subsequently becomes a Class A utility as defined by commission rule,

(2) A contract with a public service district that does not require borrowing and that can be paid out of existing rates;

(3) A contract where the payment of engineering fees are contingent upon the receipt of funding, and commission approval of the funding, to construct the project which is the subject of the contract; or

(4) A contract that does not exceed fifteen thousand dollars.

(d) Requests for approval or waivers of engineering contracts shall be deemed granted thirty days after the filing date unless the staff of the Public Service Commission or a party files an objection to the request. If an objection is filed, the Public Service Commission shall issue its decision within one hundred twenty days of the filing date. In the event objection is received to a request for a waiver, the application shall be considered a request for waiver as well as a request for approval in the event a waiver is not appropriate.

(e) 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 provision 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.

History. (1969, 1st Ex. Sess., c. 6; 1981, c. 124; 1986, c. 81; 1996, c. 213; 1997, c. 159; 2003, c. 184; 2005, c. 193; 2006, c. 190.)

Cross references. — Class II legal advertisement defined, § 59-3-2.

Effect of amendment of 2003. — Acts 2003, c. 184, effective June 5, 2003, added subsection designations; inserted (c) and (d); in (b), substituted “a verified statement by the board members that the public service district has complied” for “evidence of compliance,” deleted “in the past two years requiring engineering services” from the end of subdivision (1), and deleted “within the past two years” preceding “requiring engineering services” in subdivision (2); and rewrote the final paragraph of the section, deleting former subdivisions (a) through (e) regarding requirements for legal advertisements giving public notice of projects.

Effect of amendment of 2005. — Acts 2005, c. 193, effective July 8, 2005, deleted the second paragraph in (e), pertaining to prefling of plans by the public service district; and made minor stylistic changes.

Effect of amendment of 2006. — Acts 2006, c. 190, effective June 8, 2006, added the

proviso to the end of (a); and made minor stylistic changes.

A.L.R. references. — Remedies for sewage treatment plant alleged or deemed to be nuisance, 101 A.L.R.5th 287.

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 W. Va. LEXIS 210 (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 W. Va. LEXIS 210 (1992).

ARTICLE 13B.

COMMUNITY IMPROVEMENT ACT.

Sec.		Sec.	
16-13B-1.	Short title.		division; powers thereof;
16-13B-2.	Definitions.		community improvement
16-13B-3.	Power and authority of counties and municipalities relating to flood relief, wastewater and water projects.		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 owners; ordinance or order authorizing creation of assessment district and construction of project.	16-13B-12.	Apportionment and assessment of cost.
16-13B-8.	Assessment district to be a public corporation and political sub-	16-13B-13.	Assessment against property of public, charitable, eleemosynary, educational or religious institutions; duty of those in charge to cause assessments to be paid.
		16-13B-14.	Method of paying for cost of project; how assessments may be evidenced.

Final - Updated

\$3,970,000

Berkeley County PSSD
County Wide Sanitary Sewer System Revenue Bonds
Series 2007

Sources & Uses

Dated 03/01/2007 | Delivered 03/06/2007

Sources Of Funds

Par Amount of Bonds	\$3,970,000.00
Reoffering Premium	2,914.45
Accrued Interest from 03/01/2007 to 03/06/2007	2,613.28

Total Sources **\$3,975,527.73**

Uses Of Funds

Deposit to Project Construction Fund	3,852,906.00
Total Underwriter's Discount (2.000%)	79,400.00
Costs of Issuance	36,000.00
Rounding Amount	4,608.45
Deposit to Debt Service Fund	2,613.28

Total Uses **\$3,975,527.73**

Final - Updated

\$3,970,000

Berkeley County PSSD
County Wide Sanitary Sewer System Revenue Bonds
Series 2007

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
03/01/2008	40,000.00	4.100%	188,156.26	228,156.26
03/01/2009	40,000.00	4.100%	186,516.26	226,516.26
03/01/2010	40,000.00	4.100%	184,876.26	224,876.26
03/01/2011	40,000.00	4.100%	183,236.26	223,236.26
03/01/2012	45,000.00	4.100%	181,596.26	226,596.26
03/01/2013	45,000.00	4.300%	179,751.26	224,751.26
03/01/2014	50,000.00	4.300%	177,816.26	227,816.26
03/01/2015	50,000.00	4.300%	175,666.26	225,666.26
03/01/2016	50,000.00	4.300%	173,516.26	223,516.26
03/01/2017	55,000.00	4.300%	171,366.26	226,366.26
03/01/2018	55,000.00	4.500%	169,001.26	224,001.26
03/01/2019	60,000.00	4.500%	166,526.26	226,526.26
03/01/2020	60,000.00	4.500%	163,826.26	223,826.26
03/01/2021	65,000.00	4.500%	161,126.26	226,126.26
03/01/2022	65,000.00	4.500%	158,201.26	223,201.26
03/01/2023	70,000.00	4.625%	155,276.26	225,276.26
03/01/2024	75,000.00	4.625%	152,038.76	227,038.76
03/01/2025	75,000.00	4.625%	148,570.00	223,570.00
03/01/2026	80,000.00	4.625%	145,101.26	225,101.26
03/01/2027	85,000.00	4.625%	141,401.26	226,401.26
03/01/2028	90,000.00	4.650%	137,470.00	227,470.00
03/01/2029	90,000.00	4.650%	133,285.00	223,285.00
03/01/2030	95,000.00	4.650%	129,100.00	224,100.00
03/01/2031	100,000.00	4.650%	124,682.50	224,682.50
03/01/2032	105,000.00	4.650%	120,032.50	225,032.50
03/01/2033	110,000.00	4.650%	115,150.00	225,150.00
03/01/2034	115,000.00	4.650%	110,035.00	225,035.00
03/01/2035	120,000.00	4.650%	104,687.50	224,687.50
03/01/2036	125,000.00	4.650%	99,107.50	224,107.50
03/01/2037	130,000.00	4.650%	93,295.00	223,295.00
03/01/2038	140,000.00	5.000%	87,250.00	227,250.00
03/01/2039	145,000.00	5.000%	80,250.00	225,250.00
03/01/2040	155,000.00	5.000%	73,000.00	228,000.00
03/01/2041	160,000.00	5.000%	65,250.00	225,250.00
03/01/2042	170,000.00	5.000%	57,250.00	227,250.00
03/01/2043	175,000.00	5.000%	48,750.00	223,750.00
03/01/2044	185,000.00	5.000%	40,000.00	225,000.00
03/01/2045	195,000.00	5.000%	30,750.00	225,750.00
03/01/2046	205,000.00	5.000%	21,000.00	226,000.00
03/01/2047	215,000.00	5.000%	10,750.00	225,750.00
Total	\$3,970,000.00	-	\$5,044,661.44	\$9,014,661.44

Yield Statistics

Accrued Interest from 03/01/2007 to 03/06/2007	2,613.28
Bond Year Dollars	\$104,109.86
Average Life	26.224 Years
Average Coupon	4.8455174%
Net Interest Cost (NIC)	4.9189836%
True Interest Cost (TIC)	4.9517306%
Bond Yield for Arbitrage Purposes	4.8064600%
All Inclusive Cost (AIC)	5.0191614%

IRS Form 8038

Net Interest Cost	4.8231694%
Weighted Average Maturity	26.297 Years

Series 2007 - Final | SINGLE PURPOSE | 2/23/2007 | 12:36 PM

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Public Finance

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	PCF	Net New D/S
09/01/2007	-	-	94,078.13	94,078.13	-	(83,499.19)	10,578.94
03/01/2008	40,000.00	4.100%	94,078.13	134,078.13	-	(85,888.68)	48,189.45
09/01/2008	-	-	93,258.13	93,258.13	-	(60,837.80)	32,420.33
03/01/2009	40,000.00	4.100%	93,258.13	133,258.13	-	(17,893.47)	115,364.66
09/01/2009	-	-	92,438.13	92,438.13	-	-	92,438.13
03/01/2010	40,000.00	4.100%	92,438.13	132,438.13	-	-	132,438.13
09/01/2010	-	-	91,618.13	91,618.13	-	-	91,618.13
03/01/2011	40,000.00	4.100%	91,618.13	131,618.13	-	-	131,618.13
09/01/2011	-	-	90,798.13	90,798.13	-	-	90,798.13
03/01/2012	45,000.00	4.100%	90,798.13	135,798.13	-	-	135,798.13
09/01/2012	-	-	89,875.63	89,875.63	-	-	89,875.63
03/01/2013	45,000.00	4.300%	89,875.63	134,875.63	-	-	134,875.63
09/01/2013	-	-	88,908.13	88,908.13	-	-	88,908.13
03/01/2014	50,000.00	4.300%	88,908.13	138,908.13	-	-	138,908.13
09/01/2014	-	-	87,833.13	87,833.13	-	-	87,833.13
03/01/2015	50,000.00	4.300%	87,833.13	137,833.13	-	-	137,833.13
09/01/2015	-	-	86,758.13	86,758.13	-	-	86,758.13
03/01/2016	50,000.00	4.300%	86,758.13	136,758.13	-	-	136,758.13
09/01/2016	-	-	85,683.13	85,683.13	-	-	85,683.13
03/01/2017	55,000.00	4.300%	85,683.13	140,683.13	-	-	140,683.13
09/01/2017	-	-	84,500.63	84,500.63	-	-	84,500.63
03/01/2018	55,000.00	4.500%	84,500.63	139,500.63	-	-	139,500.63
09/01/2018	-	-	83,263.13	83,263.13	-	-	83,263.13
03/01/2019	60,000.00	4.500%	83,263.13	143,263.13	-	-	143,263.13
09/01/2019	-	-	81,913.13	81,913.13	-	-	81,913.13
03/01/2020	60,000.00	4.500%	81,913.13	141,913.13	-	-	141,913.13
09/01/2020	-	-	80,563.13	80,563.13	-	-	80,563.13
03/01/2021	65,000.00	4.500%	80,563.13	145,563.13	-	-	145,563.13
09/01/2021	-	-	79,100.63	79,100.63	-	-	79,100.63
03/01/2022	65,000.00	4.500%	79,100.63	144,100.63	-	-	144,100.63
09/01/2022	-	-	77,638.13	77,638.13	-	-	77,638.13
03/01/2023	70,000.00	4.625%	77,638.13	147,638.13	-	-	147,638.13
09/01/2023	-	-	76,019.38	76,019.38	-	-	76,019.38
03/01/2024	75,000.00	4.625%	76,019.38	151,019.38	-	-	151,019.38
09/01/2024	-	-	74,285.00	74,285.00	-	-	74,285.00
03/01/2025	75,000.00	4.625%	74,285.00	149,285.00	-	-	149,285.00
09/01/2025	-	-	72,550.63	72,550.63	-	-	72,550.63
03/01/2026	80,000.00	4.625%	72,550.63	152,550.63	-	-	152,550.63
09/01/2026	-	-	70,700.63	70,700.63	-	-	70,700.63
03/01/2027	85,000.00	4.625%	70,700.63	155,700.63	-	-	155,700.63
09/01/2027	-	-	68,735.00	68,735.00	-	-	68,735.00
03/01/2028	90,000.00	4.650%	68,735.00	158,735.00	-	-	158,735.00
09/01/2028	-	-	66,642.50	66,642.50	-	-	66,642.50
03/01/2029	90,000.00	4.650%	66,642.50	156,642.50	-	-	156,642.50
09/01/2029	-	-	64,550.00	64,550.00	-	-	64,550.00

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Public Finance

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	PCF	Net New D/S
03/01/2030	95,000.00	4.650%	64,550.00	159,550.00	-	-	159,550.00
09/01/2030	-	-	62,341.25	62,341.25	-	-	62,341.25
03/01/2031	100,000.00	4.650%	62,341.25	162,341.25	-	-	162,341.25
09/01/2031	-	-	60,016.25	60,016.25	-	-	60,016.25
03/01/2032	105,000.00	4.650%	60,016.25	165,016.25	-	-	165,016.25
09/01/2032	-	-	57,575.00	57,575.00	-	-	57,575.00
03/01/2033	110,000.00	4.650%	57,575.00	167,575.00	-	-	167,575.00
09/01/2033	-	-	55,017.50	55,017.50	-	-	55,017.50
03/01/2034	115,000.00	4.650%	55,017.50	170,017.50	-	-	170,017.50
09/01/2034	-	-	52,343.75	52,343.75	-	-	52,343.75
03/01/2035	120,000.00	4.650%	52,343.75	172,343.75	-	-	172,343.75
09/01/2035	-	-	49,553.75	49,553.75	-	-	49,553.75
03/01/2036	125,000.00	4.650%	49,553.75	174,553.75	-	-	174,553.75
09/01/2036	-	-	46,647.50	46,647.50	-	-	46,647.50
03/01/2037	130,000.00	4.650%	46,647.50	176,647.50	-	-	176,647.50
09/01/2037	-	-	43,625.00	43,625.00	-	-	43,625.00
03/01/2038	140,000.00	5.000%	43,625.00	183,625.00	-	-	183,625.00
09/01/2038	-	-	40,125.00	40,125.00	-	-	40,125.00
03/01/2039	145,000.00	5.000%	40,125.00	185,125.00	-	-	185,125.00
09/01/2039	-	-	36,500.00	36,500.00	-	-	36,500.00
03/01/2040	155,000.00	5.000%	36,500.00	191,500.00	-	-	191,500.00
09/01/2040	-	-	32,625.00	32,625.00	-	-	32,625.00
03/01/2041	160,000.00	5.000%	32,625.00	192,625.00	-	-	192,625.00
09/01/2041	-	-	28,625.00	28,625.00	-	-	28,625.00
03/01/2042	170,000.00	5.000%	28,625.00	198,625.00	-	-	198,625.00
09/01/2042	-	-	24,375.00	24,375.00	-	-	24,375.00
03/01/2043	175,000.00	5.000%	24,375.00	199,375.00	-	-	199,375.00
09/01/2043	-	-	20,000.00	20,000.00	-	-	20,000.00
03/01/2044	185,000.00	5.000%	20,000.00	205,000.00	-	-	205,000.00
09/01/2044	-	-	15,375.00	15,375.00	-	-	15,375.00
03/01/2045	195,000.00	5.000%	15,375.00	210,375.00	-	-	210,375.00
09/01/2045	-	-	10,500.00	10,500.00	-	-	10,500.00
03/01/2046	205,000.00	5.000%	10,500.00	215,500.00	-	-	215,500.00
09/01/2046	-	-	5,375.00	5,375.00	-	-	5,375.00
03/01/2047	215,000.00	5.000%	5,375.00	220,375.00	(228,000.00)	-	(7,625.00)
Total	\$3,970,000.00	-	\$5,044,661.44	\$9,014,661.44	(228,000.00)	(248,119.14)	\$8,538,542.30

Series 2007 - Final | SINGLE PURPOSE | 2/23/2007 | 12:36 PM

Crews & Associates

Public Finance

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
03/01/2012	Term 1 Coupon	4.100%	4.100%	205,000.00	100.000%	205,000.00
03/01/2017	Term 2 Coupon	4.300%	4.300%	250,000.00	100.000%	250,000.00
03/01/2022	Term 3 Coupon	4.500%	4.500%	305,000.00	100.000% c	305,000.00
03/01/2027	Term 4 Coupon	4.625%	4.670%	385,000.00	99.418%	382,759.30
03/01/2037	Term 5 Coupon	4.650%	4.780%	1,080,000.00	97.939%	1,057,741.20
03/01/2047	Term 6 Coupon	5.000%	4.800%	1,745,000.00	101.571% c	1,772,413.95
Total	-	-	-	\$3,970,000.00	-	\$3,972,914.45

Bid Information

Par Amount of Bonds	\$3,970,000.00
Reoffering Premium or (Discount)	2,914.45
Gross Production	\$3,972,914.45
Total Underwriter's Discount (2.000%)	\$(79,400.00)
Bid (98.073%)	3,893,514.45
Accrued Interest from 03/01/2007 to 03/06/2007	2,613.28
Total Purchase Price	\$3,896,127.73
Bond Year Dollars	\$104,109.86
Average Life	26.224 Years
Average Coupon	4.8455174%
Net Interest Cost (NIC)	4.9189836%
True Interest Cost (TIC)	4.9517306%

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Operation Of Project Construction Fund

Date	Principal	Rate	Interest	-Transfers	Receipts	Disbursements	Cash Balance
03/06/2007	-	4.5000000%	-	-	-	-	-
04/01/2007	-	4.5000000%	11,925.29	(11,925.29)	-	-	-
05/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
06/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
07/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
08/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
09/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
10/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
11/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
12/01/2007	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
01/01/2008	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
02/01/2008	-	4.5000000%	14,314.78	(14,314.78)	-	-	-
03/01/2008	321,075.50	4.5000000%	14,314.78	(14,314.78)	321,075.50	321,075.50	-
04/01/2008	321,075.50	4.5000000%	13,121.88	(13,121.88)	321,075.50	321,075.50	-
05/01/2008	321,075.50	4.5000000%	11,928.98	(11,928.98)	321,075.50	321,075.50	-
06/01/2008	321,075.50	4.5000000%	10,736.08	(10,736.08)	321,075.50	321,075.50	-
07/01/2008	321,075.50	4.5000000%	9,543.18	(9,543.18)	321,075.50	321,075.50	-
08/01/2008	321,075.50	4.5000000%	8,350.29	(8,350.29)	321,075.50	321,075.50	-
09/01/2008	321,075.50	4.5000000%	7,157.39	(7,157.39)	321,075.50	321,075.50	-
10/01/2008	321,075.50	4.5000000%	5,964.49	(5,964.49)	321,075.50	321,075.50	-
11/01/2008	321,075.50	4.5000000%	4,771.59	(4,771.59)	321,075.50	321,075.50	-
12/01/2008	321,075.50	4.5000000%	3,578.69	(3,578.69)	321,075.50	321,075.50	-
01/01/2009	321,075.50	4.5000000%	2,385.80	(2,385.80)	321,075.50	321,075.50	-
02/01/2009	321,075.50	4.5000000%	1,192.90	(1,192.90)	321,075.50	321,075.50	-
Total	\$3,852,906.00	-	\$248,119.14	(248,119.14)	\$3,852,906.00	\$3,852,906.00	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	GIC
Default investment yield target	Unrestricted

Cost of Investments Purchased with Bond Proceeds	3,852,906.00
Total Cost of Investments	\$3,852,906.00

Target Cost of Investments at bond yield	\$3,597,774.56
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Yield to Receipt	4.500005%
Yield for Arbitrage Purposes	4.8064600%

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Operation of Debt Service Reserve Fund

Date	Rate	-Transfers	Deposits	Receipts	Cash Balance
03/06/2007	-	-	-	-	-
03/01/2008	-	-	22,800.00	22,800.00	22,800.00
03/01/2009	-	-	22,800.00	22,800.00	45,600.00
03/01/2010	-	-	22,800.00	22,800.00	68,400.00
03/01/2011	-	-	22,800.00	22,800.00	91,200.00
03/01/2012	-	-	22,800.00	22,800.00	114,000.00
03/01/2013	-	-	22,800.00	22,800.00	136,800.00
03/01/2014	-	-	22,800.00	22,800.00	159,600.00
03/01/2015	-	-	22,800.00	22,800.00	182,400.00
03/01/2016	-	-	22,800.00	22,800.00	205,200.00
03/01/2017	-	-	22,800.00	22,800.00	228,000.00
03/01/2047	-	(228,000.00)	-	-	-
Total	-	(228,000.00)	\$228,000.00	\$228,000.00	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	GIC
Default investment yield target	Unrestricted

Total Cost of Investments -

Yield to Receipt	-
Yield for Arbitrage Purposes	4.8064600%

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Proof Of Bond Yield @ 4.8064600%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
03/06/2007	-	1.0000000x	-	-
09/01/2007	94,078.13	0.9771761x	91,930.90	91,930.90
03/01/2008	134,078.13	0.9542434x	127,943.18	219,874.07
09/01/2008	93,258.13	0.9318490x	86,902.49	306,776.57
03/01/2009	133,258.13	0.9099800x	121,262.24	428,038.81
09/01/2009	92,438.13	0.8886244x	82,142.77	510,181.58
03/01/2010	132,438.13	0.8677699x	114,925.82	625,107.40
09/01/2010	91,618.13	0.8474048x	77,637.64	702,745.04
03/01/2011	131,618.13	0.8275176x	108,916.32	811,661.36
09/01/2011	90,798.13	0.8080972x	73,373.71	885,035.07
03/01/2012	135,798.13	0.7891325x	107,162.72	992,197.79
09/01/2012	89,875.63	0.7706129x	69,259.32	1,061,457.11
03/01/2013	134,875.63	0.7525279x	101,497.68	1,162,954.79
09/01/2013	88,908.13	0.7348674x	65,335.68	1,228,290.48
03/01/2014	138,908.13	0.7176213x	99,683.43	1,327,973.91
09/01/2014	87,833.13	0.7007799x	61,551.70	1,389,525.60
03/01/2015	137,833.13	0.6843338x	94,323.87	1,483,849.48
09/01/2015	86,758.13	0.6682737x	57,978.17	1,541,827.65
03/01/2016	136,758.13	0.6525904x	89,247.05	1,631,074.70
09/01/2016	85,683.13	0.6372752x	54,603.74	1,685,678.43
03/01/2017	140,683.13	0.6223195x	87,549.85	1,773,228.28
09/01/2017	84,500.63	0.6077147x	51,352.27	1,824,580.56
03/01/2018	139,500.63	0.5934527x	82,787.02	1,907,367.58
09/01/2018	83,263.13	0.5795253x	48,253.09	1,955,620.67
03/01/2019	143,263.13	0.5659248x	81,076.17	2,036,696.83
09/01/2019	81,913.13	0.5526436x	45,268.76	2,081,965.60
03/01/2020	141,913.13	0.5396739x	76,586.82	2,158,552.42
09/01/2020	80,563.13	0.5270087x	42,457.47	2,201,009.89
03/01/2021	145,563.13	0.5146407x	74,912.71	2,275,922.60
09/01/2021	79,100.63	0.5025630x	39,753.05	2,315,675.65
03/01/2022	144,100.63	0.4907687x	70,720.07	2,386,395.72
09/01/2022	77,638.13	0.4792512x	37,208.16	2,423,603.89
03/01/2023	147,638.13	0.4680040x	69,095.23	2,492,699.12
09/01/2023	76,019.38	0.4570207x	34,742.43	2,527,441.55
03/01/2024	151,019.38	0.4462952x	67,399.22	2,594,840.77
09/01/2024	74,285.00	0.4358214x	32,374.99	2,627,215.76
03/01/2025	149,285.00	0.4255934x	63,534.71	2,690,750.48
09/01/2025	72,550.63	0.4156055x	30,152.44	2,720,902.92
03/01/2026	152,550.63	0.4058519x	61,912.96	2,782,815.88
09/01/2026	70,700.63	0.3963273x	28,020.59	2,810,836.47
03/01/2027	155,700.63	0.3870261x	60,260.21	2,871,096.68
09/01/2027	68,735.00	0.3779433x	25,977.93	2,897,074.61
03/01/2028	158,735.00	0.3690736x	58,584.90	2,955,659.50
09/01/2028	66,642.50	0.3604121x	24,018.76	2,979,678.27

Series 2007 - Final | SINGLE PURPOSE | 2/23/2007 | 12:36 PM

Crews & Associates

Public Finance

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Proof Of Bond Yield @ 4.8064600%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
03/01/2029	156,642.50	0.3519538x	55,130.92	3,034,809.19
09/01/2029	64,550.00	0.3436940x	22,185.45	3,056,994.64
03/01/2030	159,550.00	0.3356281x	53,549.47	3,110,544.11
09/01/2030	62,341.25	0.3277515x	20,432.44	3,130,976.54
03/01/2031	162,341.25	0.3200597x	51,958.90	3,182,935.44
09/01/2031	60,016.25	0.3125485x	18,757.99	3,201,693.43
03/01/2032	165,016.25	0.3052135x	50,365.19	3,252,058.61
09/01/2032	57,575.00	0.2980506x	17,160.27	3,269,218.88
03/01/2033	167,575.00	0.2910559x	48,773.69	3,317,992.57
09/01/2033	55,017.50	0.2842253x	15,637.37	3,333,629.94
03/01/2034	170,017.50	0.2775550x	47,189.21	3,380,819.15
09/01/2034	52,343.75	0.2710413x	14,187.32	3,395,006.47
03/01/2035	172,343.75	0.2646804x	45,616.01	3,440,622.49
09/01/2035	49,553.75	0.2584688x	12,808.10	3,453,430.58
03/01/2036	174,553.75	0.2524030x	44,057.89	3,497,488.47
09/01/2036	46,647.50	0.2464795x	11,497.65	3,508,986.12
03/01/2037	176,647.50	0.2406951x	42,518.18	3,551,504.31
09/01/2037	43,625.00	0.2350464x	10,253.90	3,561,758.20
03/01/2038	183,625.00	0.2295302x	42,147.49	3,603,905.69
09/01/2038	40,125.00	0.2241435x	8,993.76	3,612,899.45
03/01/2039	185,125.00	0.2188833x	40,520.76	3,653,420.21
09/01/2039	36,500.00	0.2137464x	7,801.75	3,661,221.96
03/01/2040	191,500.00	0.2087302x	39,971.83	3,701,193.79
09/01/2040	32,625.00	0.2038316x	6,650.01	3,707,843.79
03/01/2041	192,625.00	0.1990481x	38,341.63	3,746,185.42
09/01/2041	28,625.00	0.1943767x	5,564.03	3,751,749.46
03/01/2042	198,625.00	0.1898150x	37,702.01	3,789,451.47
09/01/2042	24,375.00	0.1853604x	4,518.16	3,793,969.63
03/01/2043	199,375.00	0.1810103x	36,088.93	3,830,058.56
09/01/2043	20,000.00	0.1767623x	3,535.25	3,833,593.81
03/01/2044	205,000.00	0.1726140x	35,385.87	3,868,979.68
09/01/2044	15,375.00	0.1685630x	2,591.66	3,871,571.33
03/01/2045	210,375.00	0.1646071x	34,629.23	3,906,200.56
09/01/2045	10,500.00	0.1607441x	1,687.81	3,907,888.37
03/01/2046	215,500.00	0.1569717x	33,827.40	3,941,715.78
09/01/2046	5,375.00	0.1532878x	823.92	3,942,539.70
03/01/2047	220,375.00	0.1496904x	32,988.03	3,975,527.73
Total	\$9,014,661.44	-	\$3,975,527.73	-

Final - Updated

\$3,970,000

Berkeley County PSSD
County Wide Sanitary Sewer System Revenue Bonds
Series 2007

Proof Of Bond Yield @ 4.8064600%

Derivation Of Target Amount

Par Amount of Bonds	\$3,970,000.00
Reoffering Premium or (Discount)	2,914.45
Accrued Interest from 03/01/2007 to 03/06/2007	2,613.28
Original Issue Proceeds	\$3,975,527.73

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Proof of Premium Bond Yield Rule

Maturity Date	3/01/2047
Bond Type	Coupon

PRICE SUMMARY

Price to Maturity	103.5400000%
Price to Call (3/01/2017)	101.5710000%
Lowest Price	101.5710000%

CRITERIA 1

First Available Call Date	3/01/2017
Delivery Date	3/06/2007
Years to First Call	9.986 Years
Yield to Maturity	4.9098678%
Yield to Call	4.8000000%
Callable in 5 years and (YTM-YTC) gt/eq 0.125%	No

CRITERIA 2

Original Issue Premium	1.5710000%
Integer Years to First Call	9.000 Years
25% * Years to Call	2.250 Years
OIP > 25% * Years to Call?	No

CRITERIA 3

Stepped Coupon?	No
Price to Call Less than Price to Maturity?	Yes
Yield to Call Adjustment Necessary?	No

Final - Updated

\$3,970,000

Berkeley County PSSD

County Wide Sanitary Sewer System Revenue Bonds

Series 2007

Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Price	Issuance PRICE	Exponent	Bond Years
03/06/2007	-	-	-	-	-
03/01/2008	40,000.00	100.000%	40,000.00	0.9861111x	39,444.44
03/01/2009	40,000.00	100.000%	40,000.00	1.9861111x	79,444.44
03/01/2010	40,000.00	100.000%	40,000.00	2.9861111x	119,444.44
03/01/2011	40,000.00	100.000%	40,000.00	3.9861111x	159,444.44
03/01/2012	45,000.00	100.000%	45,000.00	4.9861111x	224,375.00
03/01/2013	45,000.00	100.000%	45,000.00	5.9861111x	269,375.00
03/01/2014	50,000.00	100.000%	50,000.00	6.9861111x	349,305.56
03/01/2015	50,000.00	100.000%	50,000.00	7.9861111x	399,305.56
03/01/2016	50,000.00	100.000%	50,000.00	8.9861111x	449,305.56
03/01/2017	55,000.00	100.000%	55,000.00	9.9861111x	549,236.11
03/01/2018	55,000.00	100.000%	55,000.00	10.9861111x	604,236.11
03/01/2019	60,000.00	100.000%	60,000.00	11.9861111x	719,166.67
03/01/2020	60,000.00	100.000%	60,000.00	12.9861111x	779,166.67
03/01/2021	65,000.00	100.000%	65,000.00	13.9861111x	909,097.22
03/01/2022	65,000.00	100.000%	65,000.00	14.9861111x	974,097.22
03/01/2023	70,000.00	99.418%	69,592.60	15.9861111x	1,112,515.04
03/01/2024	75,000.00	99.418%	74,563.50	16.9861111x	1,266,543.90
03/01/2025	75,000.00	99.418%	74,563.50	17.9861111x	1,341,107.40
03/01/2026	80,000.00	99.418%	79,534.40	18.9861111x	1,510,048.96
03/01/2027	85,000.00	99.418%	84,505.30	19.9861111x	1,688,932.32
03/01/2028	90,000.00	97.939%	88,145.10	20.9861111x	1,849,822.86
03/01/2029	90,000.00	97.939%	88,145.10	21.9861111x	1,937,967.96
03/01/2030	95,000.00	97.939%	93,042.05	22.9861111x	2,138,674.90
03/01/2031	100,000.00	97.939%	97,939.00	23.9861111x	2,349,175.74
03/01/2032	105,000.00	97.939%	102,835.95	24.9861111x	2,569,470.47
03/01/2033	110,000.00	97.939%	107,732.90	25.9861111x	2,799,559.11
03/01/2034	115,000.00	97.939%	112,629.85	26.9861111x	3,039,441.65
03/01/2035	120,000.00	97.939%	117,526.80	27.9861111x	3,289,118.08
03/01/2036	125,000.00	97.939%	122,423.75	28.9861111x	3,548,588.42
03/01/2037	130,000.00	97.939%	127,320.70	29.9861111x	3,817,852.66
03/01/2038	140,000.00	101.571%	142,199.40	30.9861111x	4,406,206.41
03/01/2039	145,000.00	101.571%	147,277.95	31.9861111x	4,710,848.87
03/01/2040	155,000.00	101.571%	157,435.05	32.9861111x	5,193,170.05
03/01/2041	160,000.00	101.571%	162,513.60	33.9861111x	5,523,205.27
03/01/2042	170,000.00	101.571%	172,670.70	34.9861111x	6,041,076.30
03/01/2043	175,000.00	101.571%	177,749.25	35.9861111x	6,396,504.26
03/01/2044	185,000.00	101.571%	187,906.35	36.9861111x	6,949,925.14
03/01/2045	195,000.00	101.571%	198,063.45	37.9861111x	7,523,660.22
03/01/2046	205,000.00	101.571%	208,220.55	38.9861111x	8,117,709.50
03/01/2047	215,000.00	101.571%	218,377.65	39.9861111x	8,732,072.98
Total	\$3,970,000.00	-	\$3,972,914.45	-	\$104,477,642.88

IRS Form 8038

Weighted Average Maturity = Bond Years/Issue Price	26.297 Years
Total Interest from Debt Service	5,044,661.44
Accrued Interest from 03/01/2007 to 03/06/2007	(2,613.28)
Reoffering (Premium) or Discount	(2,914.45)
Total Interest	5,039,133.71
NIC = Interest / (Issue Price * Average Maturity)	4.8231694%
Bond Yield for Arbitrage Purposes	4.8064600%

Series 2007 - Final | SINGLE PURPOSE | 2/23/2007 | 12:36 PM

Crews & Associates

Public Finance

BERKELEY COUNTY PSSD
Sewer Revenue Bonds (North End Project)
Series 2007 A

DTC FAST CLOSING
Tuesday, March 06, 2007

SOURCES:		
Par Amount	3,970,000.00	firm
Accrued Interest from March 1 to March 6	2,613.28	firm
Reoffering Premium	2,914.45	firm
TOTAL SOURCES OF FUNDS	3,975,527.73	
USES:		
Deposit to Project Fund - from bond proceeds	3,852,906.00	firm
Deposit to Debt Service Fund	2,613.28	firm
Underwriters Discount	79,400.00	firm
Costs of Issuance:		
Bond Counsel - Steptoe & Johnson	na	
Underwriter's Counsel - Jackson Kelly	25,000.00	firm
Registrar Fees	650.00	estimate
Printing/Shipping - Westerfield Bonte	4,000.00	estimate
Rating Fee - Standard & Poor's	5,400.00	firm
Miscellaneous	950.00	estimate
Underwriting Expenses - Crews		
PSA	NA	
MSRB	NA	
DTC	NA	
CUSIP	NA	
Total Costs of Issuance	36,000.00	estimate
Rounding	4,608.45	firm
TOTAL USES OF FUNDS	3,975,527.73	

CONTACTS:

United Bank, Inc. (Registrar #2719)
 Kathy.Smith@ubsi-wv.com
 304-348-8427 Tel

Berkeley County PSSD
 Curtis Keller
 304-263-8566 Tel x208

DTC
 212-855-3752 Tel
 212-855-3753 Tel
 212-855-3754 Tel

Susquehanna Bank (Depository Bank)
 Amy Hussion (Asst. Branch Manager)
 304-229-5824

Kimberly McGarrah (Branch Manager)
 304-229-5824

WV Municipal Bond Commission
 Sara Boardman
 304-558-3971

Crews BD# 5158

0.00 Balance Test

WIRE INSTRUCTIONS:		
From: Crews & Associates, Inc		To: Depository Bank
Costs of Issuance Account (plus Rounding)	40,608.45	Bank: Susquehanna Bank
Project Fund	3,852,906.00	City: Martinsburg, WV
		ABA#: 055 0002 59
		Acct. Name: Berkeley County PSSD
		Account No.: 60002761769
		F/B/O: BCPSSD North End Construction Fund
Total Wire	3,893,514.45	
# ___ at ___:___am EST		
From: Crews & Associates, Inc		To: WV Municipal Bond Commission
Deposit to Debt Service Account	2,613.28	Bank: Branch Banking & Trust
		City: Charleston, WV
		ABA#: 051 5033 94
		Acct. Name: State of West Virginia
		Account No.: 5270517317
		F/B/O: Berkeley PSSD Series 2007 A
Total Wire	2,613.28	
# ___ at ___:___am EST		