

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

**Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)**

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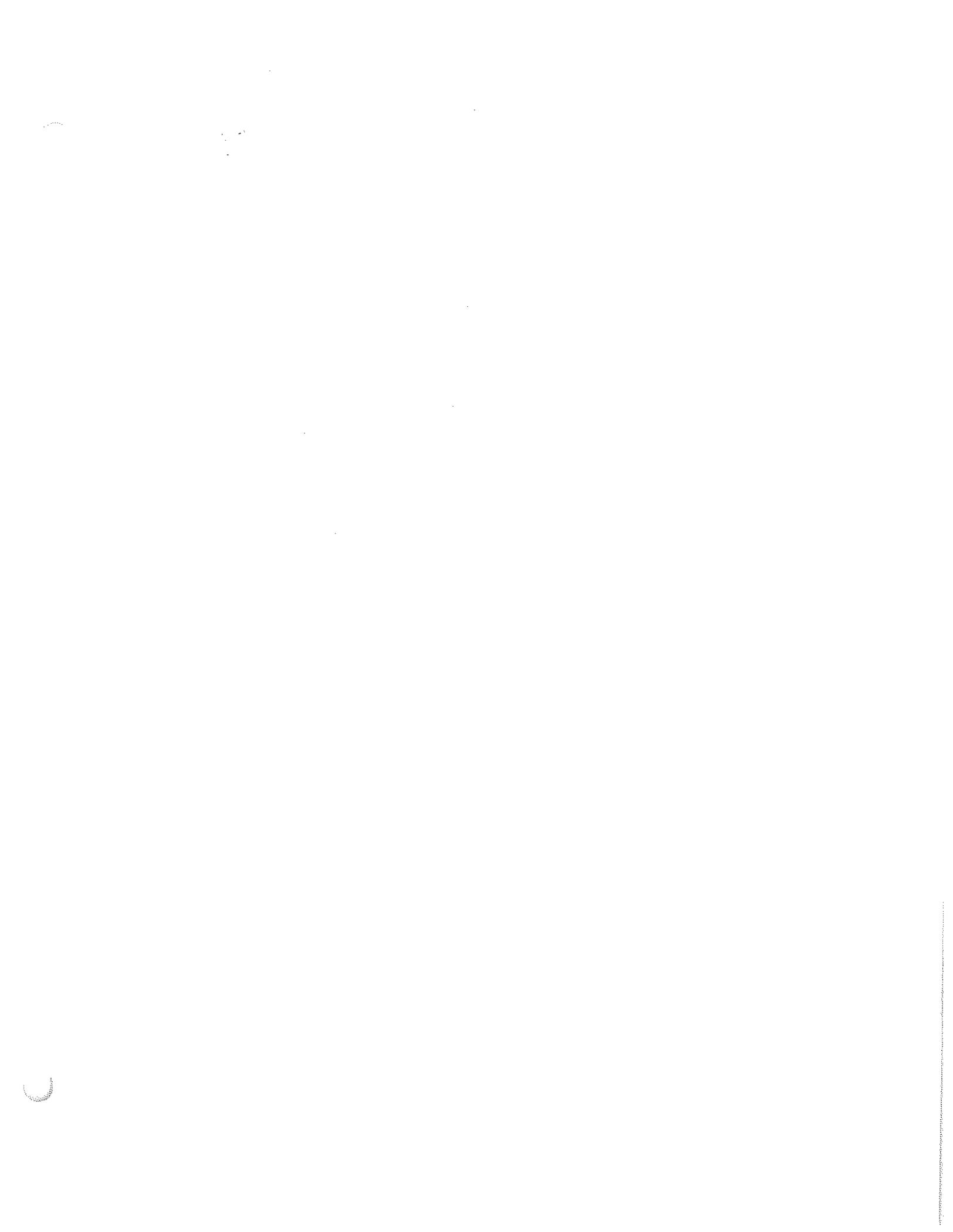
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BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

SEWER REVENUE BONDS, SERIES 1997 B

(WEST VIRGINIA SRF PROGRAM)

BOND RESOLUTION

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BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

RESOLUTION AUTHORIZING THE DESIGN OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,250,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. **Authority for this Resolution.** This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

Section 1.02. **Findings.** It is hereby found, determined and declared that:

A. 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.

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be designed certain improvements and extensions to the existing public

sewerage facilities of the Issuer, consisting of certain improvements and extensions to the Inwood and South Berkeley areas, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System").

C. The Issuer intends to permanently finance such costs of design of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund program (the "SRF Program"), pursuant to the Act, in order to take advantage of the favorable terms available to the Issuer under the SRF Program.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), in the aggregate principal amount of \$1,250,000 (the "Series 1997 B Bonds"), initially to be represented by a single bond, to permanently finance the costs of design of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; amounts which may be deposited in the Series 1997 B Bonds Reserve Account (as hereinafter defined); 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, fees and expenses of the Authority, including the SRF Administrative Fee (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1997 B Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; 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 1997 B Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System is not less than 20 years.

F. It is in the best interests of the Issuer that its Series 1997 B Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to the Series 1997 B Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Series 1997 B Bonds as follows:

| <u>Designation</u> | <u>Lien Position</u> |
|---|----------------------|
| Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, issued in the original aggregate principal amount \$1,638,194 (the "Series 1986 B Bonds") | First Lien |
| Sewer Revenue Bonds, Series 1986 C, dated March 7, 1986, issued in the original aggregate principal amount of \$800,000 (the "Series 1986 C Bonds") | First Lien |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), dated February 13, 1996, issued in the original aggregate principal | First Lien |

amount of \$319,902 (the "Series 1996 A Bonds")

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

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

Sewer Revenue Bonds, Series 1996 D, dated June 15, 1996, issued in the original aggregate principal amount of \$4,770,000 (the "Series 1996 D Bonds") First Lien

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

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

Sewer Revenue Bonds, Series 1994 B, dated December 1, 1994, issued in the original aggregate principal amount of \$1,500,000 (the "Series 1994 B Bonds") Third Lien

The Series 1986 B Bonds, the Series 1986 C 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 1996 D Bonds and the Series 1997 A Bonds are hereinafter collectively called the "First Lien Bonds"; the Series 1990 B Bonds are hereinafter collectively called the "Second Lien Bonds"; and the Series 1994 B Bonds are hereinafter called the "Third Lien Bonds". The First Lien Bonds, the Second Lien Bonds and the Third Lien Bonds are hereinafter collectively called the "Prior Bonds."

The Series 1997 B Bonds shall be issued on a parity with the First Lien Bonds, and senior and prior to the Second Lien Bonds and the Third 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 of 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 1997 B Bonds, the Issuer will obtain the written consent of the Holders of the First Lien Bonds to the issuance of the Series 1997 B 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 1997 B Bonds on a senior and prior basis to the Second Lien Bonds. Prior to the issuance of the Series 1997 B Bonds, the Issuer will provide written notice to the Holders of the Third Lien Bonds regarding the issuance of the Series 1997 B Bonds on a senior and prior basis to the Third Lien Bonds, there being no consent requirement. 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.

H. The estimated revenues to be derived in each year will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest on the Bonds, and to make payments into all Sinking Funds, Reserve Accounts and other payments provided for herein, all as such terms are hereinafter defined.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the design of the Project and the operation of the System and issuance of the Series 1997 B Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of a certificate of public convenience and necessity, if necessary, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1997 B Bonds or such final order will not be subject to appeal or rehearing.

J. The Project has been approved by the West Virginia Infrastructure and Jobs Development Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1997 B Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation 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 the Registered Owners of any and all of such Series 1997 B Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series

and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means, collectively, Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1997 B Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bondholder," "Holder of the Bonds," "Holder," "Registered Owner" or any similar term whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bonds" means, collectively, the Series 1997 B Bonds, the First Lien Bonds, and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

"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, except that the first Bond Year shall begin on the Closing Date.

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

"Closing Date" means the date upon which there is an exchange of the Series 1997 B Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 1997 B Bonds from the Authority and the DEP.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"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.

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"Consulting Engineers" means Pentree Incorporated, Princeton, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D hereof to be a part of the cost of acquisition of the Project.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment, or any other agency, board or department of the State that succeeds to the functions of the DEP.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

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

"First Lien Bonds" means, collectively, the Series 1986 B Bonds, the Series 1986 C 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 1996 D Bonds and the Series 1997 A Bonds, as described in Section 1.02G hereof.

"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.

"Grants" means all moneys received by the Issuer on account of any Grant for the Project.

"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, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Independent Certified Public Accountants" 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 other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

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

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into by and among the Authority, the DEP and the Issuer, providing for the purchase of the Series 1997 B Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1997 B Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1997 B 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 1997 B 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 or any other proceeds of the Series 1997 B Bonds and is not acquired in order to carry out the governmental purpose of the Series 1997 B 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.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the Commission or other entity designated as such for the Series 1997 B Bonds in the Supplemental Resolution with the written consent of the Authority and the DEP.

"Prior Bonds" means, collectively, the First Lien Bonds, the Second Lien Bonds and the Third Lien Bonds, as described in Section 1.02G hereof.

"Prior Resolutions" means, individually or collectively, the resolution of the Issuer adopted March 6, 1986, authorizing the Series 1986 B Bonds; the resolution of the Issuer adopted March 6, 1986, authorizing the Series 1986 C Bonds; the resolution of the Issuer adopted April 30, 1990, authorizing the Series 1990 A Bonds and the Series 1990 B Bonds; the resolution of the Issuer adopted October 3, 1994, authorizing the Series 1994 A Bonds; the resolution of the Issuer adopted November 14, 1994, authorizing the Series 1994 B Bonds; the resolution of the Issuer adopted November 14, 1994, authorizing the Series 1994 C Bonds; the resolution of the Issuer adopted February 6, 1995, authorizing

the Series 1995 A Bonds; the resolution of the Issuer adopted December 18, 1995, authorizing the Series 1995 B Bonds; the resolution of the Issuer adopted February 8, 1996, authorizing the Series 1996 A Bonds; the resolution of the Issuer adopted April 29, 1996, authorizing the Series 1996 B Bonds and the Series 1996 C Bonds; the resolution of the Issuer adopted June 11, 1996, authorizing the Series 1996 D Bonds; and the resolution of the Issuer adopted June 6, 1997, authorizing the Series 1997 A 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.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the Project as described in Section 1.02B hereof.

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

(a) Government Obligations;

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

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

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National

Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

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

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

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

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code or any predecessor to the Code.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Resolutions.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 1997 B Bonds and certain of the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any reserve account for the Series 1997 B Bonds and certain of the Prior Bonds.

"Revenue Fund" means the Revenue Fund established by the Prior Resolutions.

"Second Lien Bonds" means the Series 1990 B Bonds as described in Section 1.02G hereof.

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

"Series 1986 B Bonds" means the Sewer Revenue Bonds, Series 1986 B, of the Issuer as described in Section 1.02G hereof.

"Series 1986 C Bonds" means the Sewer Revenue Bonds, Series 1986 C, of the Issuer as described in Section 1.02G hereof.

"Series 1990 A Bonds" means the Sewer Revenue Bonds, Series 1990 A, of the Issuer as described in Section 1.02G hereof.

"Series 1990 B Bonds" means the Sewer Revenue Bonds, Series 1990 B, of the Issuer as described in Section 1.02G hereof.

"Series 1994 A Bonds" means the Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), of the Issuer as described in Section 1.02G hereof.

"Series 1994 B Bonds" means the Sewer Revenue Bonds, Series 1994 B, of the Issuer as described in Section 1.02G hereof.

"Series 1994 C Bonds" means the Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

"Series 1995 A Bonds" means the Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

"Series 1995 B Bonds" means the Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

"Series 1996 A Bonds" means the Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

"Series 1996 B Bonds" means the Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

"Series 1996 C Bonds" means the Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program), of the Issuer as described in Section 1.02G hereof.

"Series 1996 D Bonds" means the Sewer Revenue Bonds, Series 1996 D, of the Issuer as described in Section 1.02G hereof.

"Series 1997 A Bonds" means the Sewer Revenue Bonds, Series 1997 A, of the Issuer, as described in Section 1.02G hereof.

"Series 1997 B Bonds" means the not more than \$1,250,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 1997 B Bonds Project Fund" means the Series 1997 B Bonds Project Fund established by Section 5.01 hereof.

"Series 1997 B Bonds Reserve Account" means the Series 1997 B Bonds Reserve Account established in the Series 1997 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1997 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1997 B Bonds in the then current or any succeeding year.

"Series 1997 B Bonds Sinking Fund" means the Series 1997 B Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Series 1997 B Bonds and the Prior Bonds.

"SRF Administrative Fee" means any administrative fee required to be paid under the Loan Agreement.

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds of the State.

"SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 1997 B Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1997 B Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 1997 B Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the respective Reserve Accounts.

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

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

"Third Lien Bonds" means the Series 1994 B Bonds as described in Section 1.02G hereof.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF DESIGN OF THE PROJECT

Section 2.01. Authorization of Design of the Project. There is hereby authorized and ordered the design of the Project, at an estimated cost of \$1,250,000. The proceeds of the Series 1997 B Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer shall enter into contracts for the design of the Project, compatible with the financing plan submitted to the SRF Program.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1997 B Bonds, funding a reserve account for the Series 1997 B Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1997 B Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1997 B Bonds of the Issuer. The Series 1997 B Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program)," in the principal amount of not more than \$1,250,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1997 B Bonds remaining after funding of the Series 1997 B Bonds Reserve Account (if funded from Bond proceeds), capitalizing interest on the Series 1997 B Bonds, if any, shall be deposited in or credited to the Series 1997 B Bonds Project Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1997 B Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1997 B Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1997 B Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1997 B Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1997 B Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1997 B Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

Section 3.03. Execution of Bonds. The Series 1997 B Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1997 B Bonds shall cease to be such officer of the Issuer before the Series 1997 B Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1997 B Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1997 B Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1997 B Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1997 B Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1997 B Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1997 B Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in

writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1997 B Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 1997 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1997 B Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of all the Series 1997 B Bonds 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 such Net Revenues in favor of the Holders of the First Lien Bonds and senior and prior to the lien on such Net Revenues

in favor of the Holders of the Second Lien Bonds and the Third Lien Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Series 1997 B Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1997 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1997 B Bonds to the original purchasers upon receipt of the documents set forth below:

- A. If other than the Authority, a list of the names in which the Series 1997 B Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1997 B Bonds to the original purchasers;
- C. An executed and certified copy of the Bond Legislation;
- D. An executed copy of the Loan Agreement; and
- E. The unqualified approving opinion of bond counsel on the Series 1997 B Bonds.

Section 3.10. Form of Bonds. The text of the Series 1997 B Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BOND, SERIES 1997 B
(WEST VIRGINIA SRF PROGRAM)

No. BR-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT, a 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest and the SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Division of Environmental Protection (the "DEP"), and upon the terms and conditions

prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the DEP, dated _____, 199__.

This Bond is issued (i) to pay a portion the costs of design of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is 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 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199__, and a Supplemental Resolution duly adopted by the Issuer on _____, 199__ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation 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 Bond Legislation.

THIS BOND IS ISSUED ON A PARITY 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:

(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");

(2) SEWER REVENUE BONDS, SERIES 1986 C, DATED MARCH 7, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$800,000 (THE "SERIES 1986 C BONDS");

(3) 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");

(4) 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");

(5) 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");

(6) 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");

(7) 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");

(8) 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");

(9) 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");

(10) 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");

(11) SEWER REVENUE BONDS, SERIES 1996 D, DATED JUNE 15, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$4,770,000 (THE "SERIES 1996 D BONDS"); AND

(12) 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").

THE SERIES 1986 B BONDS, THE SERIES 1986 C 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 1996 D BONDS AND THE SERIES 1997 A BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "FIRST LIEN BONDS."

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(1) 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"); AND

(2) SEWER REVENUE BONDS, SERIES 1994 B, DATED DECEMBER 1, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,500,000 (THE "SERIES 1994 B BONDS").

THE SERIES 1986 B BONDS, THE SERIES 1986 C 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 1996 D BONDS, THE SERIES 1997 A BONDS, THE SERIES 1990 B BONDS AND THE SERIES 1994 B BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) 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 from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1997 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1997 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including

the Prior Bonds; provided however, that so long as there exists in the Series 1997 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision 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.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of design of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, 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 at 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 the 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 the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and 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 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 199____.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION,
as Registrar

Authorized Officer

(Form of)

EXHIBIT A
RECORD OF ADVANCES

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

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Bonds: Approval and Ratification of Execution of Loan Agreement. The Series 1997 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule A" Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of design of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created (or continued if previously established by the Prior Resolutions) with and shall be held by the Depository Bank separate 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); and
- (4) Series 1997 B Bonds Project Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously established by the Prior Resolutions) with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 1986 B Bonds Sinking Fund (established by the Prior Resolutions);
- (2) Within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account (established by the Prior Resolutions);
- (3) Series 1990 A Bonds Sinking Fund (established by the Prior Resolutions);
- (4) Within the Series 1990 A Bonds Sinking Fund, the Series 1990 A Bonds Reserve Account (established by the Prior Resolutions);
- (5) Series 1990 B Bonds Sinking Fund (established by the Prior Resolutions);

(6) Within the Series 1990 B Bonds Sinking Fund, the Series 1990 B Bonds Reserve Account (established by the Prior Resolutions);

(7) Series 1994 A Bonds Sinking Fund (established by the Prior Resolutions);

(8) Within the Series 1994 A Bonds Sinking Fund, the Series 1994 A Bonds Reserve Account (established by the Prior Resolutions);

(9) Series 1994 C Bonds Sinking Fund (established by the Prior Resolutions);

(10) Within the Series 1994 C Bonds Sinking Fund, the Series 1994 C Bonds Reserve Account (established by the Prior Resolutions);

(11) Series 1995 A Bonds Sinking Fund (established by the Prior Resolutions);

(12) Within the Series 1995 A Bonds Sinking Fund, the Series 1995 A Bonds Reserve Account (established by the Prior Resolutions);

(13) Series 1995 B Bonds Sinking Fund (established by the Prior Resolutions);

(14) Within the Series 1995 B Bonds Sinking Fund, the Series 1995 B Bonds Reserve Account (established by the Prior Resolutions);

(15) Series 1996 A Bonds Sinking Fund (established by the Prior Resolutions);

(16) Within the Series 1996 A Bonds Sinking Fund, the Series 1996 A Bonds Reserve Account (established by the Prior Resolutions);

(17) Series 1996 B Bonds Sinking Fund (established by the Prior Resolutions);

(18) Within the Series 1996 B Bonds Sinking Fund, the Series 1996 B Bonds Reserve Account (established by the Prior Resolutions);

(19) Series 1996 C Bonds Sinking Fund (established by the Prior Resolutions);

(20) Within the Series 1996 C Bonds Sinking Fund, the Series 1996 C Bonds Reserve Account (established by the Prior Resolutions);

(21) Series 1996 D Bonds Sinking Fund (established by the Prior Resolutions);

(22) Within the Series 1996 D Bonds Sinking Fund, the Series 1996 D Bonds Reserve Account and the Series 1996 D Bonds Redemption Account (established by the Prior Resolutions);

(23) Series 1997 A Bonds Sinking Fund (established by the Prior Resolutions);

(24) Within the Series 1997 A Bonds Sinking Fund, the Series 1997 A Bonds Reserve Account (established by the Prior Resolutions);

(25) Series 1997 B Bonds Sinking Fund; and

(26) Within the Series 1997 B Bonds Sinking Fund, the Series 1997 B Bonds Reserve Account.

The Series 1986 C Bonds Sinking Fund has heretofore been established by the Prior Resolutions with the paying agent for the Series 1986 C Bonds. The Series 1994 B Bonds Repayment Account has heretofore been established by the Prior Resolutions with the paying agent for the Series 1994 B Bonds.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation 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 and sufficient to pay current Operating Expenses.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the paying agent therefor the amounts required by the Prior Resolutions to be deposited (i) in the Series 1986 B Bonds Sinking Fund for payment of the principal of and interest, if any, on the Series 1986 B Bonds, (ii) in the Series 1986 C Bonds Sinking Fund for payment of the principal of and interest on the Series 1986 C Bonds, (iii) in the Series 1990 A Bonds Sinking Fund for the payment of the principal of and interest on the Series 1990 A Bonds, (iv) in the Series 1994 A Bonds Sinking Fund for the payment of principal of and interest on the Series 1994 A Bonds, (v) in the Series 1994 C Bonds Sinking Fund for payment of principal of and interest, if any, on the Series 1994 C Bonds, (vi) in the Series 1995 A Bonds Sinking Fund for payment of principal of and interest, if any, on the Series 1995 A Bonds, (vii) in the Series 1995 B Bonds Sinking Fund for payment of principal of and interest, if any, on the Series 1995 B Bonds, (viii) in the Series 1996 A Bonds Sinking Fund for payment of the principal of and interest, if any, on the Series 1996 A Bonds, (ix) in the Series 1996 B Bonds Sinking Fund for payment of the principal of and interest, if any, on the Series 1996 B Bonds, (x) in the Series 1996 C Bonds Sinking Fund for payment of the principal of and interest, if any, on the Series 1996 C Bonds, (xi) in the Series 1996 D Bonds Sinking Fund for payment of the principal of and interest, if any, on the Series 1996 D Bonds, (xii) in the Series 1997 A Bonds Sinking Fund for payment of the principal of and interest, if any, on the Series 1997 A Bonds, (xiii) commencing 3 months prior to the first date of payment of interest on the Series 1997 B Bonds, for which interest has not been capitalized or as required in the Loan Agreement, remit to the Commission for deposit in the Series 1997 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 1997 B Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date, and (xiv) commencing 3 months prior to the first date of payment of principal of the Series 1997 B Bonds, remit to the Commission for deposit in the Series 1997 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the

Series 1997 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission the amounts required by the Prior Resolutions to be deposited (i) in the Series 1986 B Bonds Reserve Account, (ii) in the Series 1990 A Bonds Reserve Account, (iii) in the Series 1994 A Bonds Reserve Account, (iv) in the Series 1994 C Bonds Reserve Account, (v) in the Series 1995 A Bonds Reserve Account, (vi) in the Series 1995 B Bonds Reserve Account, (vii) in the Series 1996 A Bonds Reserve Account, (viii) in the Series 1996 B Bonds Reserve Account, (ix) in the Series 1996 C Bonds Reserve Account, (x) in the Series 1996 D Bonds Reserve Account, (xi) in the Series 1997 A Bonds Reserve Account, and (xii) commencing 3 months prior to the first date of payment of principal of the Series 1997 B Bonds, if not fully funded upon issuance of the Series 1997 B Bonds, remit to the Commission for deposit in the Series 1997 B Bonds Reserve Account, an amount equal to 1/120th of the Series 1997 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1997 B 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 1997 B Bonds Reserve Requirement.

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

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission the amount required by the Prior Resolutions to be deposited in the Series 1990 B Bonds Sinking Fund for payment of principal of the Series 1990 B Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission the amount required by the Prior Resolutions to be deposited in the Series 1990 B Bonds Reserve Account.

(7) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the paying agent the amount required by the Prior Resolutions to be deposited in the Series 1994 B Bonds Repayment Account for payment of principal of the Series 1994 B Bonds.

Moneys in the Series 1997 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 1997 B Bonds as the same shall become due. Moneys in the Series 1997 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1997 B Bonds as the same shall come due, when other moneys in the Series 1997 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due, if any, on the Series 1997 B Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1997 B Bonds Reserve Account which result in a reduction in the balance of the Series 1997 B Bonds Reserve Account to below the Series 1997 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 1997 B Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1997 B Bonds Sinking Fund or the Series 1997 B Bonds Reserve Account therein when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 1997 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the First Lien Bonds, thereafter, with respect to the Second Lien Bonds, and thereafter, with respect to the Third Lien Bonds, all in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required hereunder.

Moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1997 B Bonds Sinking Fund, including the Series 1997 B Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1997 B Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 1997 B Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. The Issuer shall also on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the SRF Administrative Fee as set forth in Schedule Y attached to the Loan Agreement.

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

D. 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.

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the 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 their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

F. The moneys 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.

G. If on any monthly payment date the 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 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

ARTICLE VI

BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 1997 B Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1997 B Bonds, there shall first be deposited with the Commission in the Series 1997 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

B. Next, from the proceeds of the Series 1997 B Bonds, there shall be deposited with the Commission in the Series 1997 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1997 B Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1997 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 1997 B Bonds Project Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 1997 B Bonds.

D. After completion of design of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 1997 B Bonds shall be used to fund the Series 1997 B Bonds Reserve Account, if not funded upon issuance of the Series 1997 B Bonds, in an amount not to exceed the Series 1997 B Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 1997 B Bonds be deposited in the Series 1997 B Bonds Reserve Account.

Section 6.02. Disbursements From the Project Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 1997 B Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Project Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement as Exhibit C, and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(C) That each of such costs has been otherwise properly incurred; and

(D) That payment for each of the items proposed is then due and owing.

Pending such application, moneys in the Project Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation 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 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1997 B Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1997 B Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1997 B Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1997 B Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1997 B Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 1997 B Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the First Lien Bonds and senior and prior to the lien on such Net Revenues in favor of the Holders of the Second Lien Bonds and the Third Lien Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 1997 B Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered August 23, 1994, in Case No. 93-0619-PSD-CN, and such rates are hereby adopted.

Section 7.05. 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 1997 B Bonds are outstanding and except as otherwise required by law or with the

written consent of the Authority, 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 Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1997 B Bonds, immediately be remitted to the Commission for deposit in the Series 1997 B Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 1997 B Bonds. Any balance remaining after the payment of the Series 1997 B Bonds and interest, if any, thereon shall be remitted to the Issuer by the 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 with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. 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 the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the

Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, 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 1997 B Bonds. All obligations issued by the Issuer after the issuance of the Series 1997 B 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 1997 B 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 1997 B 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 1997 B Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the DEP prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1997 B Bonds pursuant to this Bond Legislation, 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 1997 B 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 outstanding 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 the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting

Engineers, 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, 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 and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds; provided that, so long as the Series 1996 D Bonds are outstanding, for purposes of this test, the Issuer may only take into account 75% of the "estimated average increased annual Net Revenues to be received in each of the three succeeding years" to the extent such increased Net Revenues are expected to be derived from an increase in the number of users to be served by the Project financed by such additional Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, 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.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such extensions or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Bond Legislation (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 Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

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 1997 B 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 1997 B Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, 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 Bond Legislation.

Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Parity Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority and the DEP submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority and the DEP to the issuance of the Parity Bonds.

Section 7.08. Books; Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of designing, acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as it may reasonably require in connection with the design of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following acquisition and construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following such acquisition and construction.

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation 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 and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body 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 Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers, the Authority and the DEP, or any other original purchaser of the Series 1997 B Bonds, and shall mail in each year to any Holder or Holders of the Series 1997 B Bonds, requesting the same, an annual report containing the following:

- (A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.
- (B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.
- (C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with OMB Circular 128 or any successor thereto and the Simple Audit Act and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1997 B Bonds,

and shall submit said report to the Authority and the DEP, or any other original purchaser of the Series 1997 B Bonds. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

The Issuer shall permit the Authority and the DEP, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. The Issuer shall also provide the Authority and the DEP, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the DEP with respect to the System pursuant to the Act.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in EXHIBIT E of the Loan Agreement or as promulgated from time to time.

Section 7.09. 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, if any, on the Series 1997 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 1997 B Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 1997 B Bonds Reserve Account and any reserve accounts for obligations on a parity with or junior to the Series 1997 B Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 1997 B Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget; Audit and Monthly Financial Report.

The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within 30 days of adoption thereof. 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 the Consulting Engineers, 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 the Consulting Engineers 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 Authority and the DEP and to any Holder of any Bonds, within 30 days of adoption thereof, 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 Authority and the DEP and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, the report of which audit shall be submitted to the Authority and the DEP and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, this Bond Legislation and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Commencing on the Closing Date and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit B, and forward a copy of such report to the Authority and the DEP by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement.

The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the DEP covering the supervision and inspection of the acquisition and construction of the Project, and bearing the responsibility of assuring that the Project, as originally constructed, conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all

necessary governmental bodies. Such resident engineer shall certify to the Authority, the DEP and the Issuer on the Closing Date that construction of the Project has been performed in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed.

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 25% complete and retain such a certified operator to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

Section 7.12. 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, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, 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 of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the

services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law. 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 7.14. 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 of the Issuer shall avail itself 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 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) 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 or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority,

the Issuer, the contractors and subcontractors, as their interests may appear.

(2) **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.

(3) **WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS**, such bonds to be in the amounts of 100% of the construction contract (if any) and to be required of each contractor contracting 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 the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) **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.

(5) **BUSINESS INTERRUPTION INSURANCE**, to the extent available at reasonable cost to the Issuer.

(6) **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.

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such

coverage are satisfactory to the Authority and the DEP. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 7.17. Permits and Orders. The Issuer will operate and maintain the System as a revenue-producing utility in good condition and in compliance with all Federal and state requirements and standards.

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 7.18. 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 1997 B 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 1997 B Bonds during the term thereof is, under the terms of the Series 1997 B 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) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1997 B 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 1997 B Bonds during the term thereof is, under the terms of the Series 1997 B 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 1997 B Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1997 B Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1997 B 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 1997 B Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1997 B 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 any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1997 B Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1997 B 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 1997 B Bonds,

and shall be on a parity with the statutory mortgage lien in favor of the Holders of the First Lien Bonds and senior to the statutory mortgage lien in favor of the Holders of the Second Lien Bonds and the Third Lien Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other state, federal or local bodies in regard to the design, acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.21. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, as the case may be, 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 Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest on the Series 1997 B Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants 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 1997 B Bonds which would cause the Series 1997 B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and 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 1997 B Bonds) so that the interest on the Series 1997 B 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 8.03. Tax Certificate and Rebate. 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 1997 B Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1997 B 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 Bond Legislation.

If the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1997 B Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1997 B Bonds. In the event of a failure to pay the correct rebate amount, the Issuer shall pay, from any lawful sources available therefor, to the United States such rebate amount, plus a penalty equal to 50% of the rebate amount not paid, when required to be paid, plus interest on that amount, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for any exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1997 B Bonds subject to rebate. The Issuer shall also furnish the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all

funds constituting "gross proceeds" of the Series 1997 B Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1997 B Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 1997 B Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1997 B Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1997 B Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

(3) 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

(4) If default occurs with respect to the First Lien Bonds or the resolutions authorizing the First Lien Bonds.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) 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 Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners, provided that, all rights and remedies of the Holders of the Series 1997 B Bonds shall be on a parity with the Holders of the First Lien Bonds and senior to the Holders of the Second Lien Bonds and the Third Lien Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after

commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond 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 or to complete the purchase and acquisition of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and 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 exercise.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation 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 Registered Owner of any Bonds 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 or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing 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 Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, 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, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1997 B Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1997 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1997 B Bonds from gross income for federal income tax purposes.

Series 1997 B Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1997 B 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 1997 B 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 Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1997 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission 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 installments of and interest on said Series 1997 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, 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 installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 1997 B Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1997 B Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1997 B Bonds shall be made without the consent in writing of the Registered Owners of the Series 1997 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest, if any, on the Series 1997 B Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 1997 B Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 1997 B Bonds.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. All orders or 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 Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 11.06. 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 at 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 11.07. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 9th day of December, 1997.



Chairman



Member



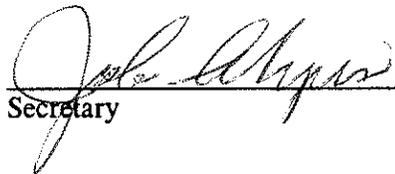
Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT on the 9th day of December, 1997.

Dated: December 11, 1997.

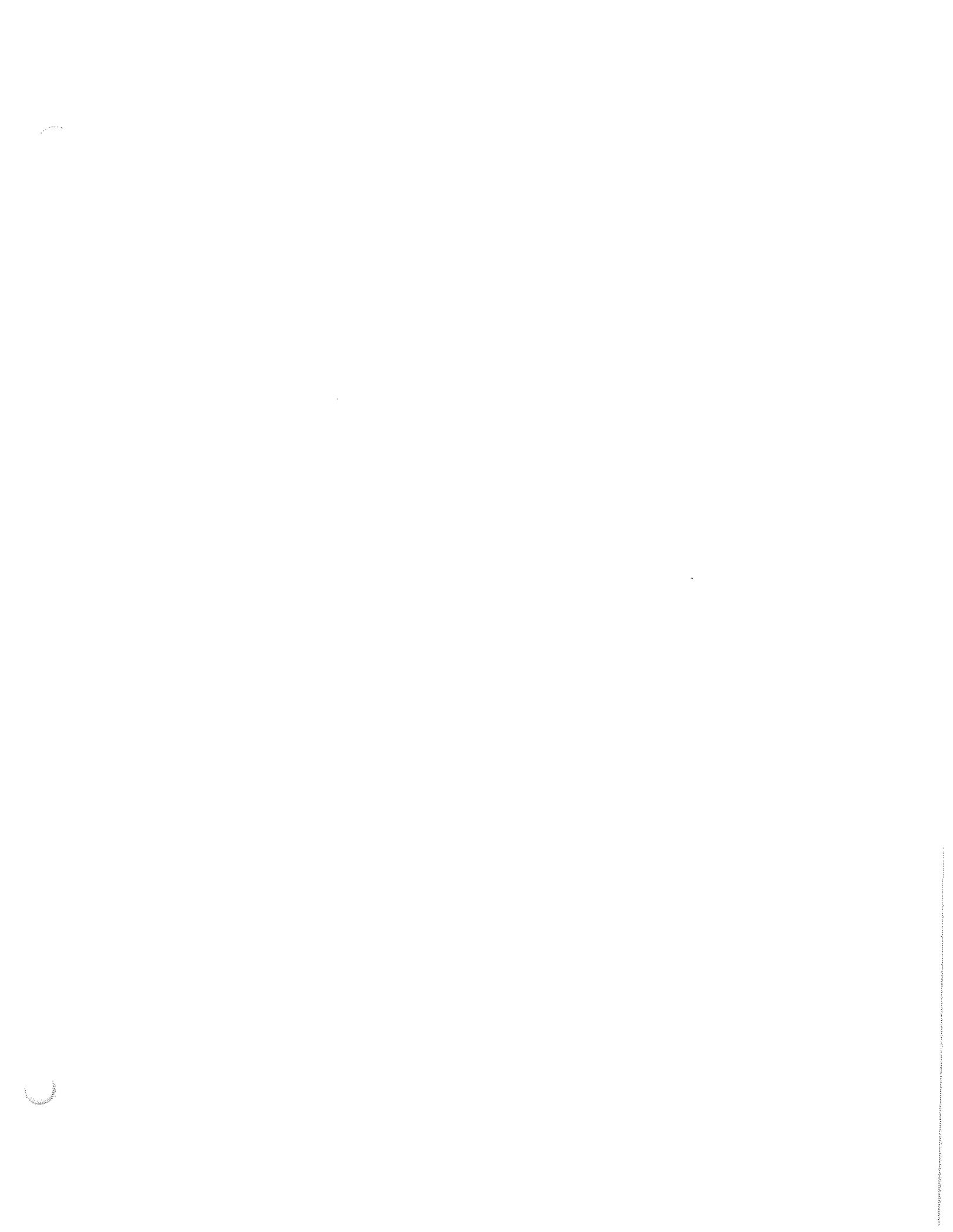
[SEAL]


Secretary

11/21/97
067740/96003

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.



BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA SRF PROGRAM), OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT; RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Berkeley County Public Service Sewer District (the "Issuer"), has duly and officially adopted a bond resolution, effective December 9, 1997 (the "Bond Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE DESIGN OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,250,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), of the Issuer (the "Bonds" or the "Series 1997 B Bonds"), in an aggregate principal amount not to exceed \$1,250,000, and has authorized the execution and delivery of a loan agreement relating to the Bonds dated November 6, 1997 (the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement, the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds, and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provision, the interest rate, the interest and principal payment dates and the sale price of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$1,250,000. The Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2018, and shall

bear interest at the rate of 2% per annum. The interest on and principal of the Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1998, and ending June 1, 2018, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby approve and shall pay the administrative fee equal to 1% of the principal amount of the Bonds set forth in "Schedule Y" attached to the Loan Agreement.

Section 4. The Issuer does hereby ratify, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Authority and the DEP. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that, the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 5. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar") for the Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 6. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds under the Bond Resolution.

Section 7. The Issuer does hereby appoint and designate One Valley Bank-East, National Association, Martinsburg, West Virginia, as Depository Bank under the Bond Resolution.

Section 8. Series 1997 B Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1997 B Bonds Sinking Fund as capitalized interest.

Section 9. Series 1997 B Bonds proceeds in the amount of \$75,985 shall be deposited in the Series 1997 B Bonds Reserve Account.

Section 10. The balance of the proceeds of the Series 1997 B Bonds shall be deposited in the Series 1997 B Bonds Project Fund for payment of the costs of design of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about December 11, 1997.

Section 12. The design of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or in time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements and/or time accounts, until further directed by the Issuer. Moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

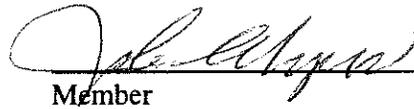
Adopted this 9th day of December, 1997.



Chairman



Member



Member

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION AMENDING THE INTEREST AND PRINCIPAL PAYMENT DATES AND THE MATURITY DATE OF THE SEWER REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA SRF PROGRAM), OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT.

WHEREAS, the Public Service Board (the "Governing Body") of Berkeley County Public Service Sewer District (the "Issuer"), has duly and officially adopted a bond resolution (the "Bond Resolution") and a supplemental resolution (the "Supplemental Resolution") on December 9, 1997, authorizing the issuance of its Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program) (the "Bonds").

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Resolution and the Supplemental Resolution when used herein;

WHEREAS, the Supplemental Resolution provided that the interest on and principal of the Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1998, and ending June 1, 2018;

WHEREAS, the Issuer has requested that the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP") approve a deferral of the commencement date for payment of the interest on and principal of the Bonds and the maturity date of the Bonds;

WHEREAS, the Authority and the DEP have approved such amendment; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted to approve the amendment of the interest and principal payment dates and the maturity date of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT:

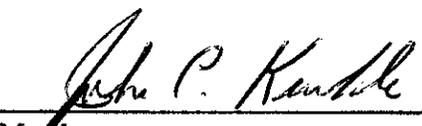
Section 1. The Issuer hereby amends Section 1 of the Supplemental Resolution to read as follows:

Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$1,250,000. The Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2018, and shall bear interest at the rate of 2% per annum. The interest on and principal of the Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1999, and ending December 1, 2018, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds.

Section 2. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 4th day of August, 1998.


Chairman


Member


Member

CERTIFICATION

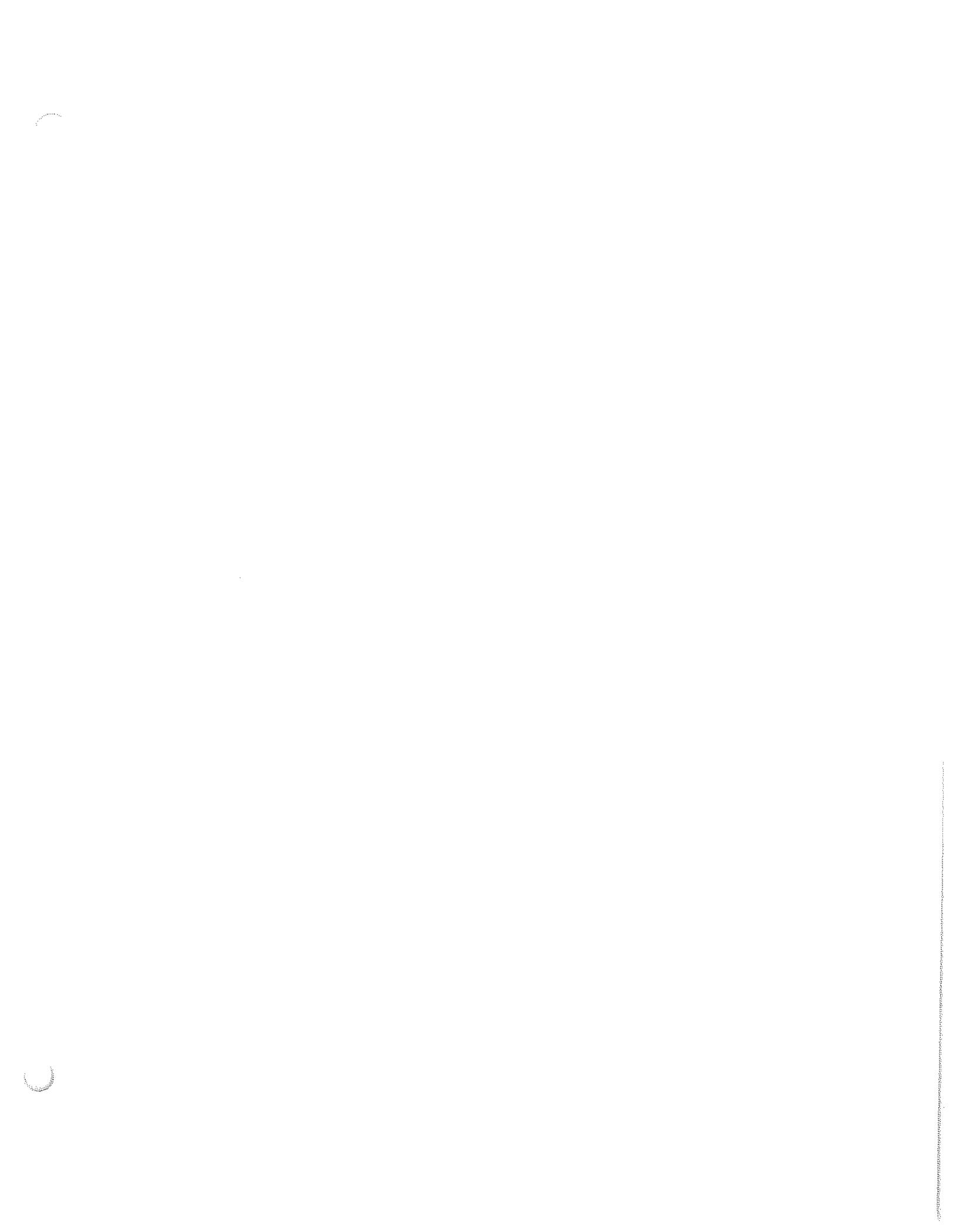
Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT on the 4th day of August, 1998.

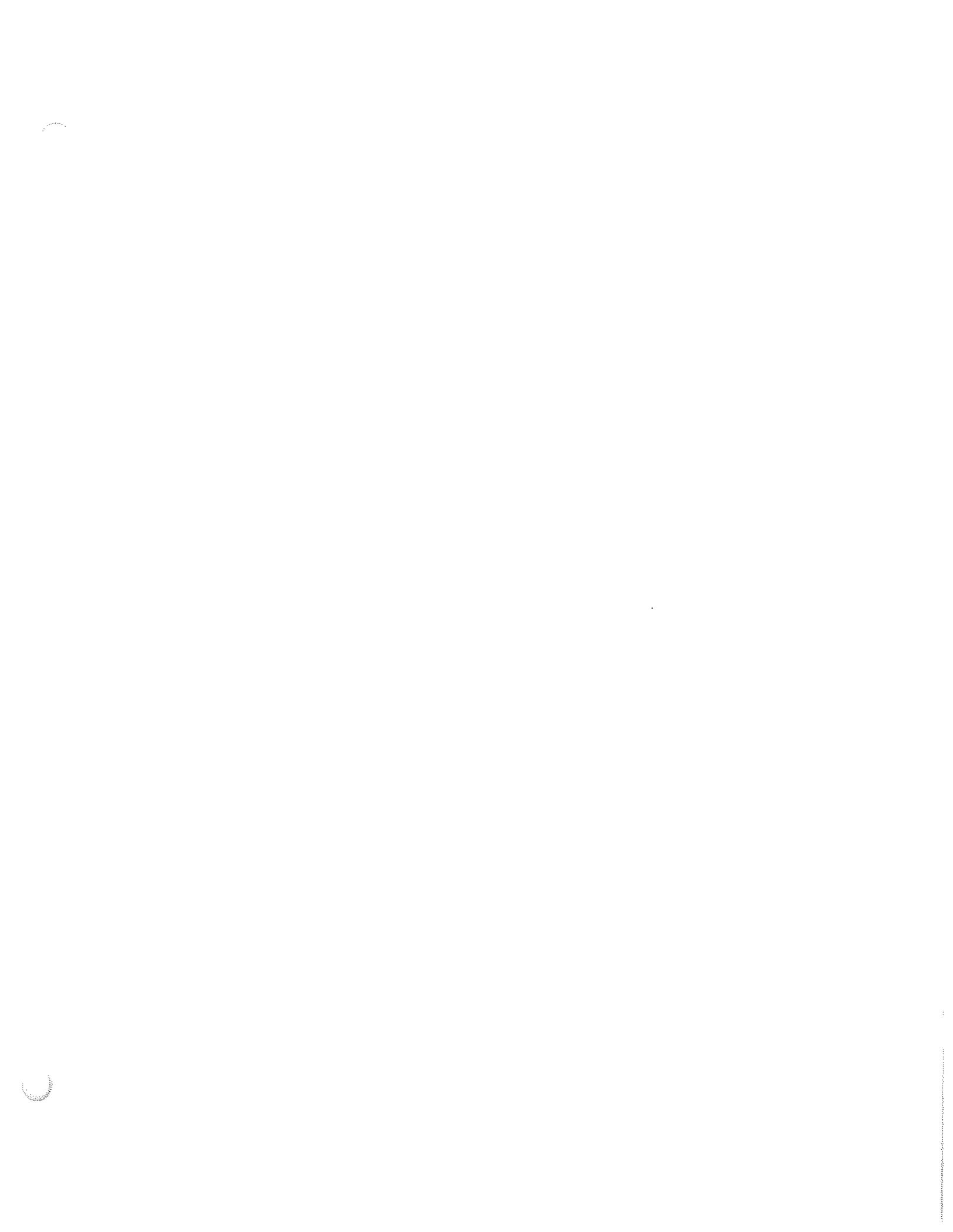
Dated: August 4, 1998.

[SEAL]


Secretary

07/23/98
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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
10-15-97
By Commission Order

Entered: October 2, 1997

CASE NO. 97-0817-PSD-PC

BERKELEY COUNTY PUBLIC SERVICE
SEWER DISTRICT.

Petition for consent and approval to borrow funds in the form of a State Revolving Fund in the amount of \$1,000,000 to enable the District to obtain an engineering design loan for the Inwood/South Berkeley Sewer Project.

RECOMMENDED DECISION

On June 25, 1997, the Berkeley County Public Service Sewer District (District) filed a petition for consent and approval to borrow \$1,000,000 from the State Revolving Fund (SRF) for a period of 20 years at 0% interest with a 1% per annum administrative fee. Attached to the petition was a copy of the District's application to the Division of Environmental Protection (DEP) for the loan.

On July 7, 1997, the District filed a copy of its annual budget for the fiscal year July 1, 1997, to June 30, 1998, for Commission Staff's review.

On July 8, 1997, Commission Staff filed its Initial Joint Staff Memorandum recommending that this matter be referred to the Division of Administrative Law Judges.

By Order entered July 14, 1997, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before January 21, 1998.

By correspondence received July 30, 1997, the District advised that its bond counsel and DEP have estimated an interest rate on the design loan to be 3% and advised that the design loan cannot be combined with other project financing.

On August 8, 1997, Commission Staff filed a Final Joint Staff Memorandum with attachments indicating that Staff recommended that the loan of \$1,000,000, at 0% interest with a 1% per annum administrative fee for a period of 20 years, requiring a debt service of \$55,420 when the design has been completed (i.e., the original terms set forth in the June 26, 1997 petition), be approved.

On September 19, 1997, Staff filed a Further Final Joint Staff Memorandum addressing the revisions discussed in the July 30, 1997 filing. Geert Bakker, Senior Utilities Analyst of the Water and Wastewater Division,

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recommended approval of the loan. Staff noted that, if the project is not completed, the District will have to impose a 3.2% rate increase to service the loan. However, Staff believes the project will be completed. Staff also noted that the District's cash flow will probably be reduced between the completion of engineering services and completion of construction because the loan becomes due following completion of the engineering services rather than at the end of construction.

By correspondence dated July 8, 1997 (sic), Staff's Memorandum was forwarded to the District advising that it had seven (7) days to respond. By correspondence dated September 26, 1997, the District was advised that the correct date to commence the seven-day response period was September 24, 1997. No objections have been filed to Staff's recommendation as of the date of this Order.

Based upon the foregoing, the Administrative Law Judge is of the opinion that the petition filed by Berkeley County Public Service District on June 25, 1997, as amended on July 30, 1997, for consent and approval to borrow \$1,000,000 from the State Revolving Fund for a period of twenty (20) years at an interest rate not to exceed 3%, should be approved, pursuant to Staff's recommendation.

FINDINGS OF FACT

1. On June 25, 1997, the Berkeley County Public Service Sewer District filed a petition for consent and approval of a \$1,000,000 State Revolving Fund loan to finance an engineering design study for the District's proposed Inwood/South Berkeley Sewer Project. (See, Petition).
2. The District advised that the interest rate on the design loan is 3% and that the design loan cannot be combined with other project financing. (See, Correspondence received July 30, 1997).
3. Staff recommended that the \$1,000,000 borrowing at 3% interest for a period of 20 years, which would require an annual debt service of \$74,000 when the design is completed, be approved. (See, Further Final Joint Staff Memorandum with attachments filed September 19, 1997).

CONCLUSION OF LAW

It is reasonable to approve the petition filed by the Berkeley County Public Service Sewer District, as amended, pursuant to Staff's recommendation.

ORDER

IT IS, THEREFORE, ORDERED that the petition filed by the Berkeley County Public Service Sewer District on June 25, 1997, as amended on July 30, 1997, for consent and approval of a \$1,000,000 State Revolving Fund loan to finance an engineering design study for the District's proposed Inwood/South Berkeley Sewer Project, payable over a period of 20 years at an interest rate not to exceed 3%, be, and hereby is, approved.

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

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

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

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

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

Susan A. Murensky
Susan A. Murensky
Administrative Law Judge

SAM:dfs

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 12th day of November, 1997.

CASE NO. 97-0817-PSD-PC

BERKELEY COUNTY PUBLIC SERVICE DISTRICT
Petition to reopen the above
proceeding.

COMMISSION ORDER

On October 15, 1997, the Commission approved a request from the Berkeley County Public Service District to borrow \$1 million from the State Revolving Fund to finance an engineering design study for a sewer project. On October 24, 1997, Berkeley County petitioned for emergency reopening and reconsideration so that the Commission might approve an additional \$250,000 in borrowing, under the same terms and conditions which were previously approved. Petition. The additional amount is needed to fully fund Berkeley County's bond reserve account and because the cost of the engineering services exceeds prior estimates. Initial & Final Joint Staff Memorandum. Commission Staff (Staff) recommends that the additional borrowing be approved, contingent upon Berkeley County filing with the Commission a letter of commitment for the additional \$250,000. Id.

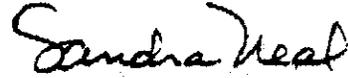
Upon consideration of the above, the Commission finds that Berkeley County's request to reopen this case to approve additional borrowing is reasonable and should be approved, pursuant to W. Va. Code § 16-13-25, contingent upon Berkeley County filing a letter of commitment for the additional \$250,000.

IT IS THEREFORE ORDERED that this case is reopened.

IT IS FURTHER ORDERED that Berkeley County may borrow an additional \$250,000, upon the same terms and conditions as were previously approved, so long as Berkeley County files with the Commission a letter of commitment for the additional amount.

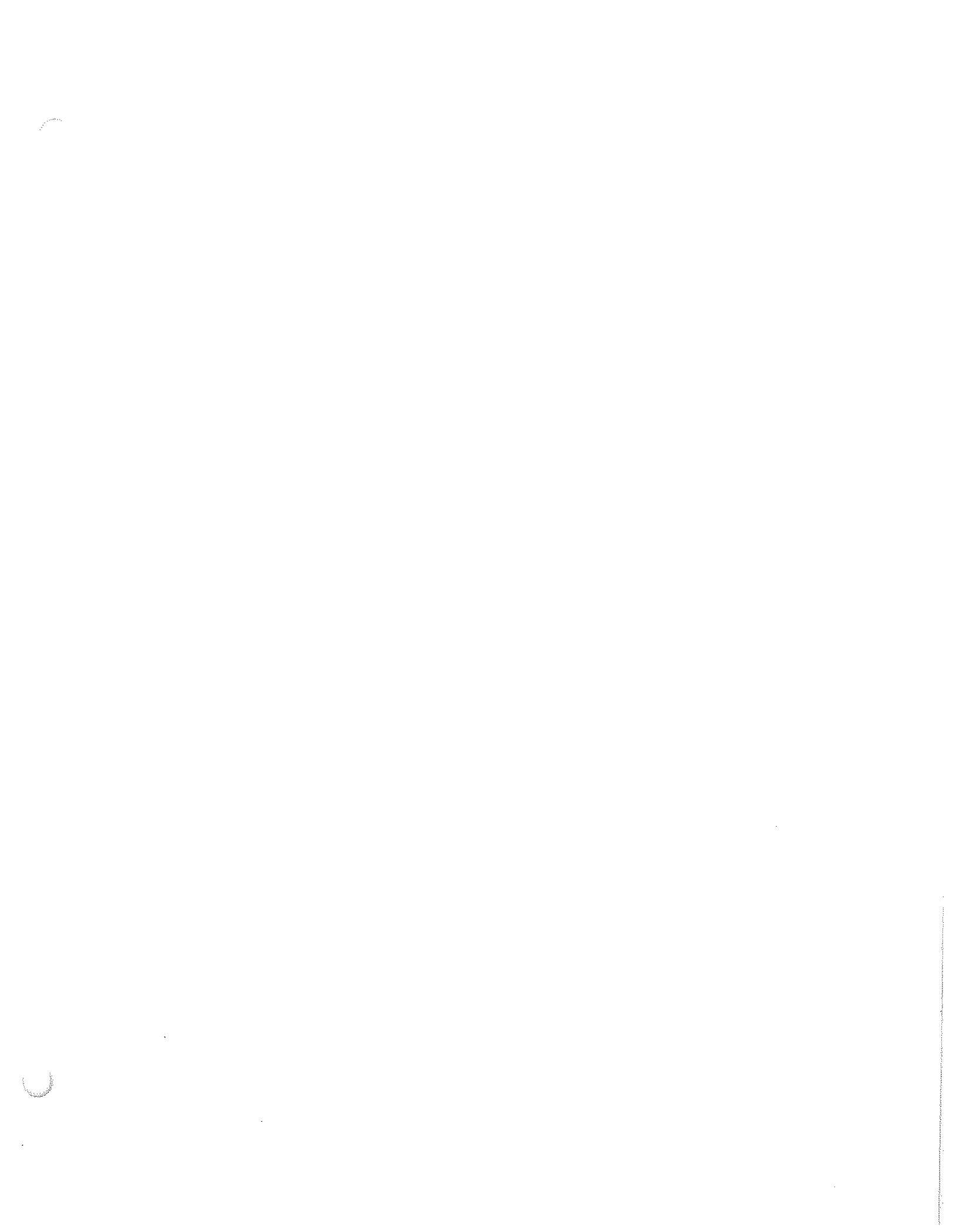
IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:



Sandra Neal
Executive Secretary

ARC





West Virginia Infrastructure & Jobs Development Council

Public Members:

Russell L. Isaacs, Chairman
Cortageville

James D. Williams, Vice-Chairman
St. Albans

Lloyd P. Adams, P.E.
Wheeling

James L. Harrison, Sr.
Princeton

1320 One Valley Square
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Susan J. Riggs, Esquire
Executive Secretary

May 9, 1997

Walt Sebert
Berkeley County Public Service Sewer District
Rt. 62, Box 338
Martinsburg, WV 25401

Re: Inwood Wastewater Treatment and Collection
System Project (Resubmittal) 96S-278

Dear Mr. Sebert:

The West Virginia Infrastructure and Jobs Development Council (Council) has reviewed the Berkeley County Public Service Sewer District's (District) resubmitted preliminary application regarding Phase I of its proposed project to construct a wastewater treatment and collection system to serve the Inwood area (Project). Based on the findings of the Sewer Technical Review Committee, the Council has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. Please carefully review the enclosed comments of the Sewer Technical Review Committee. The District may need to address certain issues raised in said comments as it proceeds with the Project.

Pursuant to its review of the preliminary application and the District's financing proposal, the Council recommends the District pursue a loan of approximately \$21,074,865 from the State Revolving Fund administered by the West Virginia Division of Environmental Protection (DEP). Please contact DEP at 558-0641 for specific information on the steps the District needs to follow to apply for the loan. The District may also be eligible for an Infrastructure Fund loan of approximately \$8,744,016 which would be in the form of a bond anticipation note, the specific terms and conditions of which will be determined by the Council at a later date. The Council's final decision is being deferred pending final determination of the Project's eligibility and readiness to proceed, and availability of funds in the Infrastructure Fund. **Please note that this letter does not constitute funding approval from these funding agencies.**

Walt Sebert
May 9, 1997
Page 2

Please notify the Council once the Project design is complete and the District is ready to submit the Project for regulatory approvals. Upon such notification, the Council will review the District's need for funding from the Infrastructure Fund and determine whether a notice of eligibility letter should be issued. Such determination will be based in part upon the District's readiness to proceed with the Project. Generally, the Council will not issue a notice of eligibility of funding until the project sponsor has filed a certificate of convenience and necessity application with the Public Service Commission.

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

Sincerely,



Russell L. Isaacs

RLI/bjh
Enclosure

cc: J. Michael Johnson, P.E.
Kenneth Green

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of Berkeley County Public Service Sewer District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 11th day of December, 1997, the Authority received the Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), issued in the principal amount of \$1,250,000, as a single, fully registered Bond, numbered BR-1 and dated December 11, 1997 (the "Bonds").

2. At the time of such receipt of the Bonds upon original issuance, the Bonds had been executed by the Chairman and the Secretary of the Issuer, by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Bonds, of \$83,985, being a portion of the principal amount of the Bonds. The balance of the principal amount of the Bonds will be advanced by the Authority and the West Virginia Division of Environmental Protection to the Issuer as design of the Project progresses.

WITNESS our respective signatures on this 11th day of December, 1997.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY



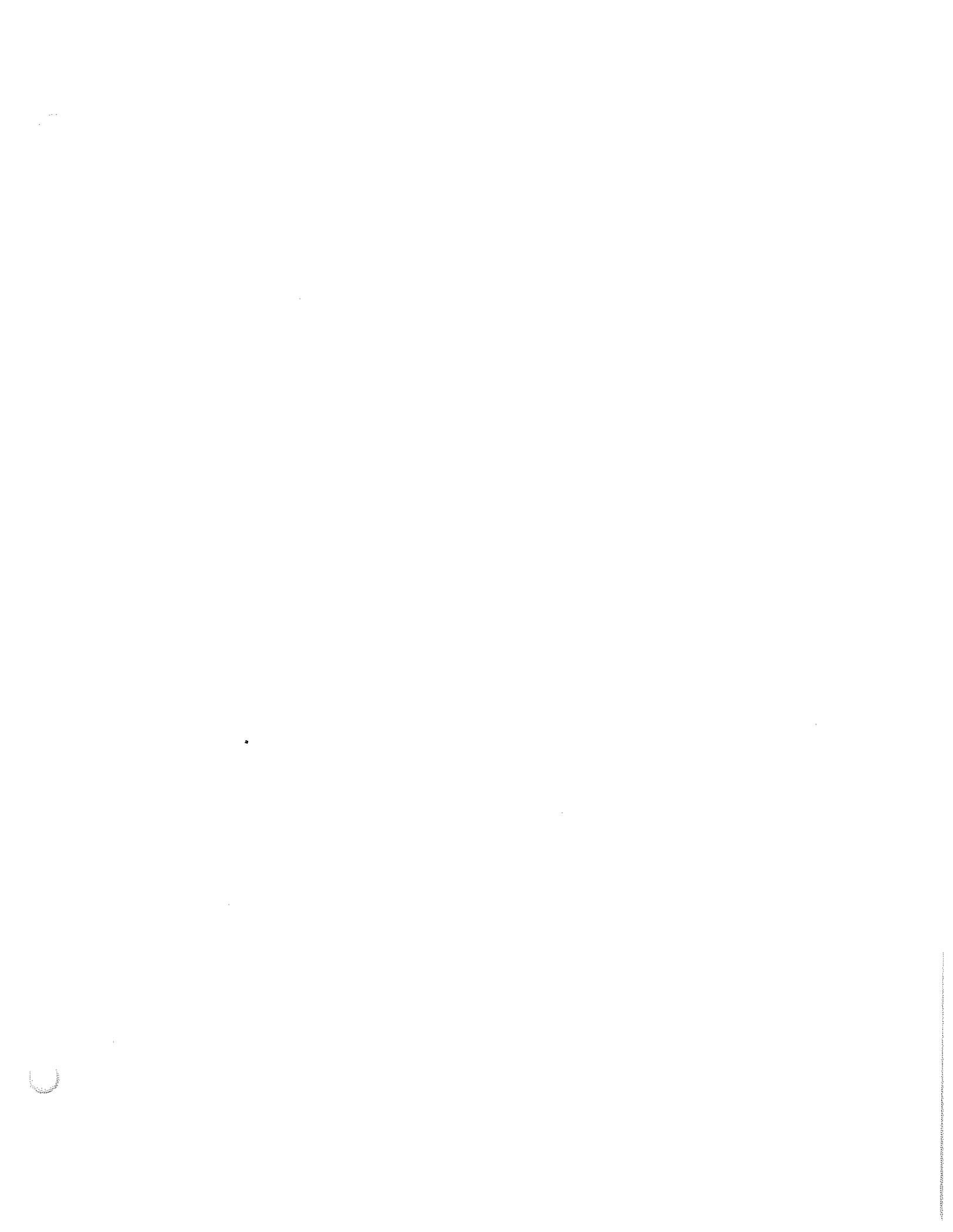
Authorized Representative

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT



Chairman

12/03/97
067740/96003



BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

One Valley Bank, National Association,
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond No. BR-1, constituting the entire original issue of the Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), in the principal amount of \$1,250,000, dated December 11, 1997 (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, authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on December 9, 1997, and a Supplemental Resolution duly adopted by the Issuer on December 9, 1997 (collectively, the "Bond Legislation");

(2) A copy of the Bond Legislation authorizing the above-captioned Bond issue, duly certified by the Secretary of the Issuer;

(3) Executed counterparts of a loan agreement dated November 6, 1997, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "Loan Agreement"); and

(4) An executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Bonds.

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the Issuer of the sum of \$83,985, representing a portion of the principal amount of the Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 11th day of December, 1997.

BERKELEY COUNTY PUBLIC SERVICE
SEWER DISTRICT


Chairman

12/03/97
067740/96003



(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
SEWER REVENUE BOND, SERIES 1997 B
(WEST VIRGINIA SRF PROGRAM)

No. BR-1

\$1,250,000

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT, a 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS (\$1,250,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1999, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest and the SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1999, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Division of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the DEP, dated November 6, 1997.

This Bond is issued (i) to pay a portion the costs of design of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is 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 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on December 9, 1997, and a Supplemental Resolution duly adopted by the Issuer on December 9, 1997 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation 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 Bond Legislation.

THIS BOND IS ISSUED ON A PARITY 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:

(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");

(2) SEWER REVENUE BONDS, SERIES 1986 C, DATED MARCH 7, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$800,000 (THE "SERIES 1986 C BONDS");

(3) 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");

(4) 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");

(5) 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");

(6) 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");

(7) 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");

(8) 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");

(9) 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");

(10) 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");

(11) SEWER REVENUE BONDS, SERIES 1996 D, DATED JUNE 15, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$4,770,000 (THE "SERIES 1996 D BONDS"); AND

(12) 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").

THE SERIES 1986 B BONDS, THE SERIES 1986 C 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 1996 D BONDS AND THE SERIES 1997 A BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "FIRST LIEN BONDS."

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(1) 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"); AND

(2) SEWER REVENUE BONDS, SERIES 1994 B, DATED DECEMBER 1, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,500,000 (THE "SERIES 1994 B BONDS").

THE SERIES 1986 B BONDS, THE SERIES 1986 C 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 1996 D BONDS, THE SERIES 1997 A BONDS, THE SERIES 1990 B BONDS AND THE SERIES 1994 B BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) 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 from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1997 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1997 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 1997 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision 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.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of design of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, 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 at 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 the 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 the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and 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 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated December 11, 1997.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: December 11, 1997.

ONE VALLEY BANK, NATIONAL
ASSOCIATION,
as Registrar

Authorized Officer

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

Closed 12/11/97

Berkeley County PSSD, WV (Inwood)
SRF Loan
\$1,250,000, 20 Years, 2% Interest Rate, 1% Administrative Fee

DEBT SERVICE SCHEDULE

| Date | Principal | Coupon | Interest | Total P+I |
|------------|-----------|--------|----------|-----------|
| 12/01/1998 | - | - | - | - |
| 3/01/1999 | 12,746.29 | 2.000% | 6,250.00 | 18,996.29 |
| 6/01/1999 | 12,810.03 | 2.000% | 6,186.27 | 18,996.30 |
| 9/01/1999 | 12,874.08 | 2.000% | 6,122.22 | 18,996.30 |
| 12/01/1999 | 12,938.45 | 2.000% | 6,057.85 | 18,996.30 |
| 3/01/2000 | 13,003.14 | 2.000% | 5,993.16 | 18,996.30 |
| 6/01/2000 | 13,068.15 | 2.000% | 5,928.14 | 18,996.29 |
| 9/01/2000 | 13,133.50 | 2.000% | 5,862.80 | 18,996.30 |
| 12/01/2000 | 13,199.16 | 2.000% | 5,797.13 | 18,996.29 |
| 3/01/2001 | 13,265.16 | 2.000% | 5,731.14 | 18,996.30 |
| 6/01/2001 | 13,331.48 | 2.000% | 5,664.81 | 18,996.29 |
| 9/01/2001 | 13,398.14 | 2.000% | 5,598.15 | 18,996.29 |
| 12/01/2001 | 13,465.13 | 2.000% | 5,531.16 | 18,996.29 |
| 3/01/2002 | 13,532.46 | 2.000% | 5,463.84 | 18,996.30 |
| 6/01/2002 | 13,600.12 | 2.000% | 5,396.17 | 18,996.29 |
| 9/01/2002 | 13,668.12 | 2.000% | 5,328.17 | 18,996.29 |
| 12/01/2002 | 13,736.46 | 2.000% | 5,259.83 | 18,996.29 |
| 3/01/2003 | 13,805.14 | 2.000% | 5,191.15 | 18,996.29 |
| 6/01/2003 | 13,874.17 | 2.000% | 5,122.13 | 18,996.30 |
| 9/01/2003 | 13,943.54 | 2.000% | 5,052.75 | 18,996.29 |
| 12/01/2003 | 14,013.26 | 2.000% | 4,983.04 | 18,996.30 |
| 3/01/2004 | 14,083.32 | 2.000% | 4,912.97 | 18,996.29 |
| 6/01/2004 | 14,153.74 | 2.000% | 4,842.55 | 18,996.29 |
| 9/01/2004 | 14,224.51 | 2.000% | 4,771.78 | 18,996.29 |
| 12/01/2004 | 14,295.63 | 2.000% | 4,700.66 | 18,996.29 |
| 3/01/2005 | 14,367.11 | 2.000% | 4,629.18 | 18,996.29 |
| 6/01/2005 | 14,438.95 | 2.000% | 4,557.35 | 18,996.30 |
| 9/01/2005 | 14,511.14 | 2.000% | 4,485.15 | 18,996.29 |
| 12/01/2005 | 14,583.70 | 2.000% | 4,412.60 | 18,996.30 |
| 3/01/2006 | 14,656.62 | 2.000% | 4,339.68 | 18,996.30 |
| 6/01/2006 | 14,729.90 | 2.000% | 4,266.40 | 18,996.30 |
| 9/01/2006 | 14,803.55 | 2.000% | 4,192.75 | 18,996.30 |
| 12/01/2006 | 14,877.57 | 2.000% | 4,118.73 | 18,996.30 |
| 3/01/2007 | 14,951.95 | 2.000% | 4,044.34 | 18,996.29 |
| 6/01/2007 | 15,026.71 | 2.000% | 3,969.58 | 18,996.29 |
| 9/01/2007 | 15,101.85 | 2.000% | 3,894.45 | 18,996.30 |
| 12/01/2007 | 15,177.36 | 2.000% | 3,818.94 | 18,996.30 |
| 3/01/2008 | 15,253.24 | 2.000% | 3,743.05 | 18,996.29 |
| 6/01/2008 | 15,329.51 | 2.000% | 3,666.79 | 18,996.30 |
| 9/01/2008 | 15,406.16 | 2.000% | 3,590.14 | 18,996.30 |
| 12/01/2008 | 15,483.19 | 2.000% | 3,513.11 | 18,996.30 |
| 3/01/2009 | 15,560.60 | 2.000% | 3,435.69 | 18,996.29 |
| 6/01/2009 | 15,638.41 | 2.000% | 3,357.89 | 18,996.30 |
| 9/01/2009 | 15,716.60 | 2.000% | 3,279.70 | 18,996.30 |
| 12/01/2009 | 15,795.18 | 2.000% | 3,201.11 | 18,996.29 |
| 3/01/2010 | 15,874.16 | 2.000% | 3,122.14 | 18,996.30 |
| 6/01/2010 | 15,953.53 | 2.000% | 3,042.77 | 18,996.30 |
| 9/01/2010 | 16,033.30 | 2.000% | 2,963.00 | 18,996.30 |

Berkeley County PSSD, WV
SRF Loan
\$1,250,000, 20 Years, 2% Interest Rate, 1% Administrative Fee

DEBT SERVICE SCHEDULE

| Date | Principal | Coupon | Interest | Total P+I |
|--------------|---------------------|----------|-------------------|---------------------|
| 12/01/2010 | 16,113.46 | 2.000% | 2,882.83 | 18,996.29 |
| 3/01/2011 | 16,194.03 | 2.000% | 2,802.27 | 18,996.30 |
| 6/01/2011 | 16,275.00 | 2.000% | 2,721.30 | 18,996.30 |
| 9/01/2011 | 16,356.37 | 2.000% | 2,639.92 | 18,996.29 |
| 12/01/2011 | 16,438.16 | 2.000% | 2,558.14 | 18,996.30 |
| 3/01/2012 | 16,520.35 | 2.000% | 2,475.95 | 18,996.30 |
| 6/01/2012 | 16,602.95 | 2.000% | 2,393.35 | 18,996.30 |
| 9/01/2012 | 16,685.96 | 2.000% | 2,310.33 | 18,996.29 |
| 12/01/2012 | 16,769.39 | 2.000% | 2,226.90 | 18,996.29 |
| 3/01/2013 | 16,853.24 | 2.000% | 2,143.05 | 18,996.29 |
| 6/01/2013 | 16,937.51 | 2.000% | 2,058.79 | 18,996.30 |
| 9/01/2013 | 17,022.19 | 2.000% | 1,974.10 | 18,996.29 |
| 12/01/2013 | 17,107.30 | 2.000% | 1,888.99 | 18,996.29 |
| 3/01/2014 | 17,192.84 | 2.000% | 1,803.45 | 18,996.29 |
| 6/01/2014 | 17,278.81 | 2.000% | 1,717.49 | 18,996.30 |
| 9/01/2014 | 17,365.20 | 2.000% | 1,631.09 | 18,996.29 |
| 12/01/2014 | 17,452.03 | 2.000% | 1,544.27 | 18,996.30 |
| 3/01/2015 | 17,539.29 | 2.000% | 1,457.01 | 18,996.30 |
| 6/01/2015 | 17,626.98 | 2.000% | 1,369.31 | 18,996.29 |
| 9/01/2015 | 17,715.12 | 2.000% | 1,281.18 | 18,996.30 |
| 12/01/2015 | 17,803.69 | 2.000% | 1,192.60 | 18,996.29 |
| 3/01/2016 | 17,892.71 | 2.000% | 1,103.58 | 18,996.29 |
| 6/01/2016 | 17,982.17 | 2.000% | 1,014.12 | 18,996.29 |
| 9/01/2016 | 18,072.09 | 2.000% | 924.21 | 18,996.30 |
| 12/01/2016 | 18,162.45 | 2.000% | 833.85 | 18,996.30 |
| 3/01/2017 | 18,253.26 | 2.000% | 743.04 | 18,996.30 |
| 6/01/2017 | 18,344.52 | 2.000% | 651.77 | 18,996.29 |
| 9/01/2017 | 18,436.25 | 2.000% | 560.05 | 18,996.30 |
| 12/01/2017 | 18,528.43 | 2.000% | 467.87 | 18,996.30 |
| 3/01/2018 | 18,621.07 | 2.000% | 375.22 | 18,996.29 |
| 6/01/2018 | 18,714.18 | 2.000% | 282.12 | 18,996.30 |
| 9/01/2018 | 18,807.75 | 2.000% | 188.55 | 18,996.30 |
| 12/01/2018 | 18,901.79 | 2.000% | 94.51 | 18,996.30 |
| Total | 1,250,000.01 | - | 269,703.62 | 1,519,703.63 |

* Plus \$1,685.65 one-percent administrative fee paid quarterly.
Total administrative fee paid over the life of the loan is \$134,852.

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

(SPECIMEN BOND)

UNITED STATES OF AMERICA
 STATE OF WEST VIRGINIA
 BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT
 SEWER REVENUE BOND, SERIES 1997 B
 (WEST VIRGINIA SRF PROGRAM)

No. BR-1

\$1,250,000

KNOW ALL MEN BY THESE PRESENTS: That BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT, a 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS (\$1,250,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest and the SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1998, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Division of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and among the Issuer, the Authority and the DEP, dated November 6, 1997.

This Bond is issued (i) to pay a portion the costs of design of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is 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 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on December 9, 1997, and a Supplemental Resolution duly adopted by the Issuer on December 9, 1997 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation 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 Bond Legislation.

THIS BOND IS ISSUED ON A PARITY 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:

(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");

(2) SEWER REVENUE BONDS, SERIES 1986 C, DATED MARCH 7, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$800,000 (THE "SERIES 1986 C BONDS");

(3) 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");

(4) 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");

(5) 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");

(6) 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");

(7) 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");

(8) 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");

(9) 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");

(10) 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");

(11) SEWER REVENUE BONDS, SERIES 1996 D, DATED JUNE 15, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$4,770,000 (THE "SERIES 1996 D BONDS"); AND

(12) 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").

THE SERIES 1986 B BONDS, THE SERIES 1986 C 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 1996 D BONDS AND THE SERIES 1997 A BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "FIRST LIEN BONDS."

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(1) 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"); AND

(2) SEWER REVENUE BONDS, SERIES 1994 B, DATED DECEMBER 1, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,500,000 (THE "SERIES 1994 B BONDS").

THE SERIES 1986 B BONDS, THE SERIES 1986 C 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 1996 D BONDS, THE SERIES 1997 A BONDS, THE SERIES 1990 B BONDS AND THE SERIES 1994 B BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) 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 from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1997 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1997 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 1997 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with or junior to the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision 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.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of design of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, 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 at 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 the 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 the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and 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 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated December 11, 1997.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: December 11, 1997.

ONE VALLEY BANK, NATIONAL
ASSOCIATION,
as Registrar

Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

| <u>AMOUNT</u> | <u>DATE</u> | <u>AMOUNT</u> | <u>DATE</u> |
|---------------|-------------|---------------|-----------------------------|
| (1) \$83.985 | 12-11-97 | (7) \$ | |
| (2) \$ | | (8) \$ | |
| (3) \$ | | (9) \$ | |
| (4) \$ | | (10) \$ | |
| (5) \$ | | (11) \$ | |
| (6) \$ | | (12) \$ | |
| TOTAL | | \$ | <u> </u> |

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

| Berkeley County Public Service Sewer District - Inwood \$1,250,000.00 SRF Loan 20 Years, 2% Interest Rate, 1% Administrative Fee | | | | |
|--|-----------|--------|----------|-----------|
| DEBT SERVICE SCHEDULE | | | | |
| Date | Principal | Coupon | Interest | Total P+I |
| 6/01/1998 | | | | |
| 9/01/1998 | 12,746.29 | 2.000% | 6,250.00 | 18,996.29 |
| 12/01/1998 | 12,810.03 | 2.000% | 6,186.27 | 18,996.30 |
| 3/01/1999 | 12,874.08 | 2.000% | 6,122.22 | 18,996.30 |
| 6/01/1999 | 12,938.45 | 2.000% | 6,057.85 | 18,996.30 |
| 9/01/1999 | 13,003.14 | 2.000% | 5,993.16 | 18,996.30 |
| 12/01/1999 | 13,068.15 | 2.000% | 5,928.14 | 18,996.29 |
| 3/01/2000 | 13,133.50 | 2.000% | 5,862.80 | 18,996.30 |
| 6/01/2000 | 13,199.16 | 2.000% | 5,797.13 | 18,996.29 |
| 9/01/2000 | 13,265.16 | 2.000% | 5,731.14 | 18,996.30 |
| 12/01/2000 | 13,331.48 | 2.000% | 5,664.81 | 18,996.29 |
| 3/01/2001 | 13,398.14 | 2.000% | 5,598.15 | 18,996.29 |
| 6/01/2001 | 13,465.13 | 2.000% | 5,531.16 | 18,996.29 |
| 9/01/2001 | 13,532.46 | 2.000% | 5,463.84 | 18,996.30 |
| 12/01/2001 | 13,600.12 | 2.000% | 5,396.17 | 18,996.29 |
| 3/01/2002 | 13,668.12 | 2.000% | 5,328.17 | 18,996.29 |
| 6/01/2002 | 13,736.46 | 2.000% | 5,259.83 | 18,996.29 |
| 9/01/2002 | 13,805.14 | 2.000% | 5,191.15 | 18,996.29 |
| 12/01/2002 | 13,874.17 | 2.000% | 5,122.13 | 18,996.30 |
| 3/01/2003 | 13,943.54 | 2.000% | 5,052.75 | 18,996.29 |
| 6/01/2003 | 14,013.26 | 2.000% | 4,983.04 | 18,996.30 |
| 9/01/2003 | 14,083.32 | 2.000% | 4,912.97 | 18,996.29 |
| 12/01/2003 | 14,153.74 | 2.000% | 4,842.55 | 18,996.29 |
| 3/01/2004 | 14,224.51 | 2.000% | 4,771.78 | 18,996.29 |
| 6/01/2004 | 14,295.63 | 2.000% | 4,700.66 | 18,996.29 |
| 9/01/2004 | 14,367.11 | 2.000% | 4,629.18 | 18,996.29 |
| 12/01/2004 | 14,438.95 | 2.000% | 4,557.35 | 18,996.30 |
| 3/01/2005 | 14,511.14 | 2.000% | 4,485.15 | 18,996.29 |
| 6/01/2005 | 14,583.70 | 2.000% | 4,412.60 | 18,996.30 |
| 9/01/2005 | 14,656.62 | 2.000% | 4,339.68 | 18,996.30 |
| 12/01/2005 | 14,729.90 | 2.000% | 4,266.40 | 18,996.30 |
| 3/01/2006 | 14,803.55 | 2.000% | 4,192.75 | 18,996.30 |
| 6/01/2006 | 14,877.57 | 2.000% | 4,118.73 | 18,996.30 |
| 9/01/2006 | 14,951.95 | 2.000% | 4,044.34 | 18,996.29 |
| 12/01/2006 | 15,026.71 | 2.000% | 3,969.58 | 18,996.29 |
| 3/01/2007 | 15,101.85 | 2.000% | 3,894.45 | 18,996.30 |
| 6/01/2007 | 15,177.36 | 2.000% | 3,818.94 | 18,996.30 |
| 9/01/2007 | 15,253.24 | 2.000% | 3,743.05 | 18,996.29 |
| 12/01/2007 | 15,329.51 | 2.000% | 3,666.79 | 18,996.30 |
| 3/01/2008 | 15,406.16 | 2.000% | 3,590.14 | 18,996.30 |
| 6/01/2008 | 15,483.19 | 2.000% | 3,513.11 | 18,996.30 |
| 9/01/2008 | 15,560.60 | 2.000% | 3,435.69 | 18,996.29 |
| 12/01/2008 | 15,638.41 | 2.000% | 3,357.89 | 18,996.30 |
| 3/01/2009 | 15,716.60 | 2.000% | 3,279.70 | 18,996.30 |
| 6/01/2009 | 15,795.18 | 2.000% | 3,201.11 | 18,996.29 |

Berkeley County Public Service Sewer District - Inwood
 \$1,250,000.00 SRF Loan
 20 Years, 2% Interest Rate, 1% Administrative Fee

DEBT SERVICE SCHEDULE

| Date | Principal | Coupon | Interest | Total P+I |
|------------|--------------|--------|------------|----------------|
| 9/01/2009 | 15,874.16 | 2.000% | 3,122.14 | 18,996.30 |
| 12/01/2009 | 15,953.53 | 2.000% | 3,042.77 | 18,996.30 |
| 3/01/2010 | 16,033.30 | 2.000% | 2,963.00 | 18,996.30 |
| 6/01/2010 | 16,113.46 | 2.000% | 2,882.83 | 18,996.29 |
| 9/01/2010 | 16,194.03 | 2.000% | 2,802.27 | 18,996.30 |
| 12/01/2010 | 16,275.00 | 2.000% | 2,721.30 | 18,996.30 |
| 3/01/2011 | 16,356.37 | 2.000% | 2,639.92 | 18,996.29 |
| 6/01/2011 | 16,438.16 | 2.000% | 2,558.14 | 18,996.30 |
| 9/01/2011 | 16,520.35 | 2.000% | 2,475.95 | 18,996.30 |
| 12/01/2011 | 16,602.95 | 2.000% | 2,393.35 | 18,996.30 |
| 3/01/2012 | 16,685.96 | 2.000% | 2,310.33 | 18,996.29 |
| 6/01/2012 | 16,769.39 | 2.000% | 2,226.90 | 18,996.29 |
| 9/01/2012 | 16,853.24 | 2.000% | 2,143.05 | 18,996.29 |
| 12/01/2012 | 16,937.51 | 2.000% | 2,058.79 | 18,996.30 |
| 3/01/2013 | 17,022.19 | 2.000% | 1,974.10 | 18,996.29 |
| 6/01/2013 | 17,107.30 | 2.000% | 1,888.99 | 18,996.29 |
| 9/01/2013 | 17,192.84 | 2.000% | 1,803.45 | 18,996.29 |
| 12/01/2013 | 17,278.81 | 2.000% | 1,717.49 | 18,996.30 |
| 3/01/2014 | 17,365.20 | 2.000% | 1,631.09 | 18,996.29 |
| 6/01/2014 | 17,452.03 | 2.000% | 1,544.27 | 18,996.30 |
| 9/01/2014 | 17,539.29 | 2.000% | 1,457.01 | 18,996.30 |
| 12/01/2014 | 17,626.98 | 2.000% | 1,369.31 | 18,996.29 |
| 3/01/2015 | 17,715.12 | 2.000% | 1,281.18 | 18,996.30 |
| 6/01/2015 | 17,803.69 | 2.000% | 1,192.60 | 18,996.29 |
| 9/01/2015 | 17,892.71 | 2.000% | 1,103.58 | 18,996.29 |
| 12/01/2015 | 17,982.17 | 2.000% | 1,014.12 | 18,996.29 |
| 3/01/2016 | 18,072.09 | 2.000% | 924.21 | 18,996.30 |
| 6/01/2016 | 18,162.45 | 2.000% | 833.85 | 18,996.30 |
| 9/01/2016 | 18,253.26 | 2.000% | 743.04 | 18,996.30 |
| 12/01/2016 | 18,344.52 | 2.000% | 651.77 | 18,996.29 |
| 3/01/2017 | 18,436.25 | 2.000% | 560.05 | 18,996.30 |
| 6/01/2017 | 18,528.43 | 2.000% | 467.87 | 18,996.30 |
| 9/01/2017 | 18,621.07 | 2.000% | 375.22 | 18,996.29 |
| 12/01/2017 | 18,714.18 | 2.000% | 282.12 | 18,996.30 |
| 3/01/2018 | 18,807.75 | 2.000% | 188.55 | 18,996.30 |
| 6/01/2018 | 18,901.79 | 2.000% | 94.51 | 18,996.30 |
| TOTAL | 1,250,000.01 | - | 269,703.62 | 1,519,703.63 * |

*Plus \$1,685.65 one-percent administrative fee paid quarterly. Total administrative fee paid over the life of the loan is \$134,852.

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SIXTH FLOOR

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

December 11, 1997

RILEY BUILDING, FOURTH FLOOR
14TH AND CHAPLINE STREETS
P. O. BOX 150
WHEELING, W. VA. 26003-0020
(304) 233-0000
FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 628
PARKERSBURG, W. VA. 26102-0628
(304) 422-6463
FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER
1000 TECHNOLOGY DRIVE
P. O. BOX 2210
FAIRMONT, W. VA. 26554-8824
(304) 368-8000
FACSIMILE (304) 368-8413

WRITER'S DIRECT DIAL NUMBER

BANK ONE CENTER, SEVENTH FLOOR
P. O. BOX 1588
CHARLESTON, W. VA. 25329-1588
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1610
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25402-2629
(304) 263-6991
FACSIMILE (304) 262-3541

**Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)**

Berkeley County Public Service Sewer District
Martinsburg, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Division of Environmental Protection
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Berkeley County Public Service Sewer District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$1,250,000 Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated November 6, 1997, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP") and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one bond, registered as to principal and interest to the Authority, with interest at the rate of 2% per annum, and with principal and interest payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1999, and ending December 1, 2018, all as set forth in "Schedule Y," attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of design of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) funding a reserve account for the Bonds; and (iii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on December 9, 1997, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 9, 1997 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

In connection with the issuance of the Bonds, the Issuer has executed a Certificate as to Arbitrage, dated as of the date hereof (the "Certificate as to Arbitrage"), which, among other things, sets forth restrictions on the investment and expenditure of the Bond proceeds and earnings thereon, to ensure that the arbitrage requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code"), necessary to establish and maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, are and will continue to be met.

Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with corporate power and authority to acquire the Project, to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Issuer without the written consent of the Authority and the DEP.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of said System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's (i) Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, (ii) Sewer Revenue Bonds, Series 1986 C, dated March 7, 1986, (iii) Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, (iv) Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), dated October 5, 1994, (v) Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), dated November 17, 1994, (vi) Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated February 9, 1995, (vii) Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), dated December 29, 1995, (viii) Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), dated February 13, 1996, (ix) Sewer Revenue Bonds, Series 1996 B (West Virginia SRF

Program), dated May 1, 1996, (x) Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program), dated May 1, 1996, (xi) Sewer Revenue Bonds, Series 1996 D, dated June 15, 1996, and (xii) Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program), dated June 12, 1997 (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 (a) Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, and (b) Sewer Revenue Bonds, Series 1994 B, dated December 1, 1994, all in accordance with the terms of the Bonds and the Bond Legislation. Based upon the certificate of the certified public accountant dated the date hereof, the Issuer has met the coverage requirements for issuance of parity bonds of the First Lien Bonds and the resolutions authorizing the First Lien Bonds. The Issuer 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.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

We have examined the executed and authenticated Bond numbered BR-1, and in our opinion the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

Stephoe & Johnson

STEPTOE & JOHNSON

11/21/97
067740/96003

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SIXTH FLOOR

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

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FACSIMILE (304) 624-8183

December 11, 1997

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FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
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MORGANTOWN, W. VA. 26507-1616
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25402-2629
(304) 263-5991
FACSIMILE (304) 263-4785

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P. O. BOX 100
CHARLES TOWN, W. VA. 25414-0100
(304) 725-1414
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Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

WRITER'S DIRECT DIAL NUMBER

Berkeley County Public Service Sewer District
Martinsburg, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Division of Environmental Protection
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Berkeley County Public Service Sewer District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$1,250,000 Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated November 6, 1997, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP") and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one bond, registered as to principal and interest to the Authority, with interest at the rate of 2% per annum, and with principal and interest payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1998, and ending June 1, 2018, all as set forth in "Schedule Y," attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of design of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) funding a reserve account for the Bonds; and (iii) paying certain costs of issuance and related costs.

Berkeley County Public Service Sewer District, et al.
Page 2

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on December 9, 1997, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 9, 1997 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

In connection with the issuance of the Bonds, the Issuer has executed a Certificate as to Arbitrage, dated as of the date hereof (the "Certificate as to Arbitrage"), which, among other things, sets forth restrictions on the investment and expenditure of the Bond proceeds and earnings thereon, to ensure that the arbitrage requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code"), necessary to establish and maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, are and will continue to be met.

Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with corporate power and authority to acquire the Project, to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Issuer without the written consent of the Authority and the DEP.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of said System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's (i) Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, (ii) Sewer Revenue Bonds, Series 1986 C, dated March 7, 1986, (iii) Sewer Revenue Bonds, Series 1990 A, dated May 3, 1990, (iv) Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority), dated October 5, 1994, (v) Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program), dated November 17, 1994, (vi) Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program), dated February 9, 1995, (vii) Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program), dated December 29, 1995, (viii) Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program), dated February 13, 1996, (ix) Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program), dated May 1, 1996, (x) Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program),

Berkeley County Public Service Sewer District, et al.

Page 3

dated May 1, 1996, (xi) Sewer Revenue Bonds, Series 1996 D, dated June 15, 1996, and (xii) Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program), dated June 12, 1997 (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 (a) Sewer Revenue Bonds, Series 1990 B, dated May 3, 1990, and (b) Sewer Revenue Bonds, Series 1994 B, dated December 1, 1994, all in accordance with the terms of the Bonds and the Bond Legislation. Based upon the certificate of the certified public accountant dated the date hereof, the Issuer has met the coverage requirements for issuance of parity bonds of the First Lien Bonds and the resolutions authorizing the First Lien Bonds. The Issuer 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.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

We have examined the executed and authenticated Bond numbered BR-1, and in our opinion the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,


STEPPTOE & JOHNSON

11/21/97
067740/96003

MCNEER, HIGHLAND, McMUNN AND VARNER, L.C.

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* ALSO ADMITTED TO PRACTICE IN PENNSYLVANIA
** ALSO ADMITTED TO PRACTICE IN MARYLAND
*** CERTIFIED PUBLIC ACCOUNTANT IN WEST VIRGINIA

December 11, 1997

Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

Berkeley County Public Service Sewer District
Martinsburg, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

West Virginia Division of Environmental Protection
Charleston, West Virginia

Ladies and Gentlemen:

We are counsel to Berkeley County Public Service Sewer District, a public service district, in Berkeley County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, a loan agreement dated November 6, 1997, including all schedules and exhibits attached thereto, by and among the West Virginia Water Development Authority (the "Authority"), the West Virginia Division of Environmental Protection (the "DEP") and the Issuer (the "Loan Agreement"), the Bond Resolution duly adopted by the Issuer on December 9, 1997, as supplemented by the Supplemental Resolution duly adopted by the Issuer on December 9, 1997 (collectively, the "Bond Legislation"), and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds") and orders of The County Commission of Berkeley County

relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreement when used herein.

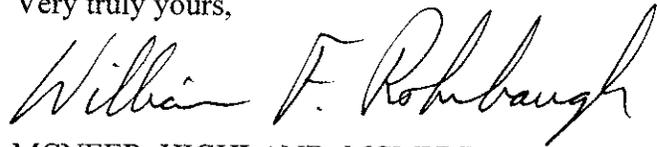
We are of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.
2. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Authority and the DEP, constitutes a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
4. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.
5. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Bonds, the Loan Agreement and the Bond Legislation, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.
6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the design of the Project, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, certificates and approvals from The County Commission of Berkeley County, the West Virginia Infrastructure and Jobs Development Council and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Final Orders of the Public Service Commission of West Virginia entered October 2, 1997, and November 12, 1997, in Case No. 97-0817-PSD-PC, among other things, approving the design and financing for the Project. The time for appeal of the latter Final Order has not expired prior to the date hereof. However, the parties to such Final Order have stated that they do not intend to appeal such Final Order. Such Final Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

7. There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bonds and the Bond Legislation, the design of the Project, the operation of the System or the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,



MCNEER, HIGHLAND, MCMUNN
AND VARNER, L.C.

WFR:vmm

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. [RESERVED]
8. MEETINGS, ETC.
9. INSURANCE
10. LOAN AGREEMENT
11. RATES
12. PUBLIC SERVICE COMMISSION ORDER
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. [RESERVED]
16. PRIVATE USE OF FACILITIES
17. NO FEDERAL GUARANTY
18. SPECIMEN BOND
19. CONFLICT OF INTEREST
20. CLEAN WATER ACT

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Berkeley County Public Service Sewer District, in Berkeley County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the \$1,250,000 Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program) (the "Bonds" or the "Series 1997 B Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as set forth in the Bond Resolution of the Issuer duly adopted December 9, 1997, and a Supplemental Resolution of the Issuer duly adopted December 9, 1997 (collectively, the "Bond Legislation"), when used herein.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the design of the Project, the operation of the System, the receipt of the Net Revenues, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the design of the Project, the operation of the System, the pledge or application of moneys and security or the collection of the Net Revenues or pledge thereof.

3. **GOVERNMENTAL APPROVALS:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the design of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. The Issuer has procured the services of the Consulting Engineers in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval and execution and delivery by the Issuer of the Loan Agreement, and the Issuer has met all conditions prescribed in the Loan Agreement entered into by and among the Issuer, the Authority and the DEP. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to design the Project and operate the System.

There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to the Series 1997 B Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions with respect to the Series 1997 B Bonds as follows:

| <u>Designation</u> | <u>Lien Position</u> |
|---|----------------------|
| Sewer Revenue Bonds, Series 1986 B, dated March 7, 1986, issued in the original aggregate principal amount \$1,638,194 (the "Series 1986 B Bonds") | First Lien |
| Sewer Revenue Bonds, Series 1986 C, dated March 7, 1986, issued in the original aggregate principal amount of \$800,000 (the "Series 1986 C Bonds") | First Lien |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |

| | |
|---|-------------|
| 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 |
| 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 |
| Sewer Revenue Bonds, Series 1996 D, dated June 15, 1996, issued in the original aggregate principal amount of \$4,770,000 (the "Series 1996 D Bonds") | First Lien |
| 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 |
| 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 |
| Sewer Revenue Bonds, Series 1994 B, dated December 1, 1994, issued in the original aggregate principal amount of \$1,500,000 (the "Series 1994 B Bonds") | Third Lien |

The Series 1986 B Bonds, the Series 1986 C 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 1996 D Bonds and the Series 1997 A Bonds are hereinafter collectively called the "First Lien Bonds"; the Series 1990 B Bonds are hereinafter collectively called the "Second Lien Bonds"; and the Series 1994 B Bonds are hereinafter called the "Third Lien Bonds" The First Lien Bonds, the Second Lien Bonds, and the Third Lien Bonds are hereinafter collectively called the "Prior Bonds."

The Series 1997 B Bonds shall be issued on a parity with the First Lien Bonds, and senior and prior to the Second Lien Bonds and the Third 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 of 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. The Issuer has obtained the written consent of the Holders of the First Lien Bonds to the issuance of the Series 1997 B 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 1997 B Bonds on a senior and prior basis to the Second Lien Bonds. The Issuer has provided written notice to the Holders of the Third Lien Bonds regarding the issuance of the Series 1997 B Bonds on a senior and prior basis to the Third Lien Bonds, there being no consent requirement. 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.

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

Bond Resolution

Supplemental Resolution

Loan Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure of Board

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

NPDES Permit

Series 1986 B Bond Resolution

Series 1986 C Bond Resolution

Series 1990 A and B Bond Resolution

Series 1994 A Bond Resolution

Series 1994 B Bond Resolution

Series 1994 C Bond Resolution

Series 1995 A Bond Resolution

Series 1995 B Bond Resolution

Series 1996 A Bond Resolution

Series 1996 B and C Bond Resolution

Series 1996 D Bond Resolution

Series 1997 A Bond Resolution

Consent of West Virginia Water Development Authority

Consent of One Valley Bank-East, National Association

Notice to West Virginia Housing Development Fund

6. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the Issuer is "Berkeley County Public Service Sewer District." The Issuer is a public service 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> |
|----------------------|---|--|
| Robert L. Grove, Sr. | July 1, 1993 | June 30, 1999 |
| Mary Collins | July 1, 1993 | June 30, 1998 |
| John Myers | July 1, 1997 | June 30, 2003 |

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 1997 are as follows:

Chairman - Robert L. Grove, Sr.
Secretary - John Myers
Treasurer - Mary Collins

The duly appointed and acting counsel to Issuer is McNeer, Highland, McMunn and Varner, L.C., Martinsburg, West Virginia.

7. [RESERVED]

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

9. INSURANCE.: All insurance for the System required by the Bond Legislation and the Loan Agreement is in full force and effect.

10. LOAN AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any 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; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Loan Agreement not misleading; and (iv) the Issuer is in compliance with all covenants, terms and representations made in the Loan Agreement.

11. RATES: The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on August 23, 1994, in Case No. 93-0619-PSD-CN, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Final Order has expired prior to the date hereof without any appeal.

12. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the Final Orders of the Public Service Commission of West Virginia entered on October 2, 1997, and November 12, 1997, in Case No. 97-0817-PSD-PC, among other things, approving the design and financing for the Project. The time for appeal of the latter Final Order has not expired prior to the date hereof. However, the parties to such Final Order have stated that they do not intend to appeal such Final Order. Such Final Order is not

subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application. The Issuer hereby states that it will not appeal such Final Order.

13. **SIGNATURES AND DELIVERY:** On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond, numbered BR-1, dated the date hereof, by his manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. **BOND PROCEEDS:** On the date hereof, the Issuer received \$83,985 from the Authority and the DEP, being a portion of the principal amount of the Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as design of the Project progresses.

15. [RESERVED]

16. **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 to assure the initial and continued tax-exempt status of the Bonds and the interest thereon. Less than 10% of the proceeds of the 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 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 Bonds, including the disproportionate related business use of the proceeds of the Bonds, and none of the payment of principal of, or 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 with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate related business use of the issue of the Bonds. None of the proceeds of the issue of the 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, including related persons, other than a governmental unit, other than use as a member of the general public. All of the foregoing have been and are to be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended (including any amendments and successor provisions and the rules and regulations thereunder, the "Code").

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

18. **SPECIMEN BOND:** Delivered concurrently herewith is a true and accurate specimen of the Bond.

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

20. **CLEAN WATER ACT:** The Project as described in the Bond Legislation complies with Sections 208 and 303(e) of the Clean Water Act.

WITNESS our signatures and the official seal of BERKELEY COUNTY
PUBLIC SERVICE SEWER DISTRICT on this 11th day of December, 1997.

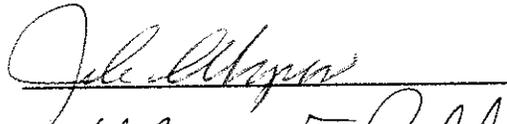
[CORPORATE SEAL]

SIGNATURE

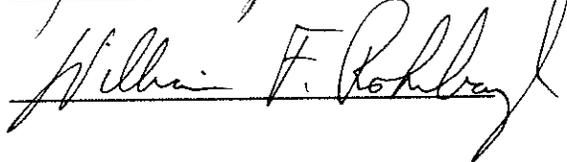
OFFICIAL TITLE



Chairman



Secretary



Counsel to Issuer

12/03/97
067740/96003



BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

CERTIFICATE AS TO ARBITRAGE

The undersigned Chairman of the Public Service Board of Berkeley County Public Service Sewer District, in Berkeley County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$1,250,000 aggregate principal amount of Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), of the Issuer, dated December 11, 1997 (the "Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"). I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution duly adopted by the Issuer on December 9, 1997 (the "Bond Resolution"), authorizing the Bonds.

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 obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on December 11, 1997, the date on which the Bonds are to be physically delivered in exchange for more than a de minimis amount of the principal of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all

actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion. The Issuer has, therefore, covenanted to not intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as otherwise allowed under Sections 103 and 148 of the Code.

6. The Bonds were sold on December 11, 1997, to the West Virginia Water Development Authority (the "Authority"), pursuant to a loan agreement dated November 6, 1997, by and among the Issuer, the Authority and the DEP, for an aggregate purchase price of \$1,250,000 (100% of par value), at which time, the Issuer received \$83,985 from the Authority and the DEP, being more than a de minimus amount of the principal of the Bonds. No accrued interest has been or will be paid on the Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as design of the Project progresses.

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying a portion of the costs of design of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); (ii) funding a reserve account for the Bonds; and (iii) paying costs of issuance of the Bonds and related costs.

8. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend in excess of \$100,000 for the design of the Project, constituting a substantial binding commitment, or has already done so. The design of the Project shall proceed with due dilligence to completion, and, with the exception of proceeds constituting capitalized interest, if any, and proceeds deposited in the reserve account for the Bonds, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of design of the Project on or before June, 1998, except as otherwise required for rebate to the United States under Section 148(f) of the Code. The design of the Project is expected to be completed by June, 1998.

9. The total cost of the design of the Project (including all costs of issuance of the Bonds) is estimated at \$1,250,000. Sources and uses of funds for the Project are as follows:

SOURCES

| | |
|-----------------------------|--------------------|
| Gross Proceeds of the Bonds | <u>\$1,250,000</u> |
| Total Sources | <u>\$1,250,000</u> |

USES

| | |
|------------------------|--------------------|
| Design of Project | \$1,165,765 |
| Capitalized Interest | -0- |
| Funded Reserve Account | 75,985 |
| Costs of Issuance | <u>8,250</u> |
| Total Uses | <u>\$1,250,000</u> |

The amount of the costs of design of the Project is estimated to be at least equal to the gross proceeds of the Bonds. Except for the proceeds of the Bonds stated above, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

10. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created (or continued pursuant to the Prior Resolutions):

- (1) Revenue Fund;
- (2) Operation and Maintenance Fund;
- (3) Renewal and Replacement Fund;
- (4) Series 1997 B Bonds Project Fund;
- (5) Series 1986 B Bonds Sinking Fund;
- (6) Within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account;
- (7) Series 1986 C Bonds Sinking Fund;

- (8) Series 1990 A Bonds Sinking Fund;
- (9) Within the Series 1990 A Bonds Sinking Fund, the Series 1990 A Bonds Reserve Account;
- (10) Series 1990 B Bonds Sinking Fund;
- (11) Within the Series 1990 B Bonds Sinking Fund, the Series 1990 B Bonds Reserve Account;
- (12) Series 1994 A Bonds Sinking Fund;
- (13) Within the Series 1994 A Bonds Sinking Fund, the Series 1994 A Bonds Reserve Account;
- (14) Series 1994 B Bonds Repayment Account;
- (15) Series 1994 C Bonds Sinking Fund;
- (16) Within the Series 1994 C Bonds Sinking Fund, the Series 1994 C Bonds Reserve Account;
- (17) Series 1995 A Bonds Sinking Fund;
- (18) Within the Series 1995 A Bonds Sinking Fund, the Series 1995 A Bonds Reserve Account;
- (19) Series 1995 B Bonds Sinking Fund;
- (20) Within the Series 1995 B Bonds Sinking Fund, the Series 1995 B Bonds Reserve Account;
- (21) Series 1996 A Bonds Sinking Fund;
- (22) Within the Series 1996 A Bonds Sinking Fund, the Series 1996 A Bonds Reserve Account;
- (23) Series 1996 B Bonds Sinking Fund;
- (24) Within the Series 1996 B Bonds Sinking Fund, the Series 1996 B Bonds Reserve Account;
- (25) Series 1996 C Bonds Sinking Fund;

- (26) Within the Series 1996 C Bonds Sinking Fund, the Series 1996 C Bonds Reserve Account;
- (27) Series 1996 D Bonds Sinking Fund;
- (28) Within the Series 1996 D Bonds Sinking Fund, the Series 1996 D Bonds Reserve Account and the Series 1996 D Bonds Redemption Account;
- (29) Series 1997 A Bonds Sinking Fund;
- (30) Within the Series 1997 A Bonds Sinking Fund, the Series 1997 A Bonds Reserve Account;
- (31) Series 1997 B Bonds Sinking Fund; and
- (32) Within the Series 1997 B Bonds Sinking Fund, the Series 1997 B Bonds Reserve Account.

11. Pursuant to Article VI of the Bond Resolution, the proceeds of the Bonds will be deposited as follows:

(1) Bond proceeds in the amount of \$-0- will be deposited in the Series 1997 B Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Bonds during acquisition of the Project and for a period not to exceed six months following completion thereof.

(2) Bond proceeds in the amount of \$75,985 will be deposited in the Series 1997 B Bonds Reserve Account.

(3) The balance of the proceeds of the Bonds will be deposited in the Series 1997 B Bonds Project Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Bonds and related costs, and for no other purpose.

Amounts in the Series 1997 B Bonds Project Fund, if invested, will be invested without yield limitation for a period necessary to complete the Project, not to exceed 3 years. All of such moneys are necessary for such purpose.

Except for "preliminary expenditures" as defined in Treas. Reg. § 1.150-2(f)(2), none of the proceeds of the Bonds will be used to reimburse the Issuer for costs of design of the Project previously incurred and paid by the Issuer with its own funds.

12. Moneys held in the Series 1997 B Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Bonds, and will not be available to meet costs

of design of the Project. All investment earnings on moneys in the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account will be withdrawn therefrom, not less than once each year, and, during design of the Project, deposited into the Series 1997 B Bonds Project Fund, and following completion of design of the Project, will be deposited in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

13. Except for the Series 1997 B Bonds Sinking Fund and the Series 1997 B Bonds Reserve Account, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Bonds, or which are pledged as collateral for the Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Renewal and Replacement Fund will be used or needed for payments upon the Bonds, and because such amounts may be expended for other purposes, there is no reasonable assurance that such amounts would be available to meet debt service if the Issuer encounters financial difficulties; thus, such amounts may be invested without yield limitation. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved desegregation plan or other investment property producing a yield in excess of the yield on the Bonds, have been or will be pledged to payment of the Bonds. Less than 10% of the proceeds of the Bonds, if any, will be deposited in the Series 1997 B Bonds Reserve Account or any other reserve or replacement fund. The amounts deposited in the Series 1997 B Bonds Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest, if any, on the Bonds, and will not exceed 125% of average annual principal and interest on the Bonds. Amounts in the Series 1997 B Bonds Reserve Account, not to exceed 10% of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Series 1997 B Bonds Reserve Account is required by the Authority, is vital to its purchase of the Bonds, and is reasonably required to assure payments of debt service on the Bonds.

14. Not later than simultaneously with the delivery of the Bonds, the Issuer shall enter into a contract for the design of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds from the sale of the Bonds or \$100,000.

15. Work with respect to the design of the Project will proceed with due diligence to completion. The design of the Project is expected to be completed within 6 months of the date hereof.

16. The Issuer will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Bonds to the Authority.

17. With the exception of the amount deposited in the Series 1997 B Bonds Sinking Fund for payment of interest on the Bonds, if any, and amounts deposited in the Series 1997 B Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 6 months from the date of issuance thereof.

18. The Series 1997 B Bonds Sinking Fund (other than the Series 1997 B Bonds Reserve Account therein) is intended primarily to achieve a proper matching of payments of debt service on the Bonds each year. The Series 1997 B Bonds Sinking Fund (other than the Series 1997 B Bonds Reserve Account therein) will be depleted at least once a year, except for a reasonable carryover amount not in excess of the greater of 1/12th of annual debt service on the Bonds, or 1 year's interest earnings on the Series 1997 B Bonds Sinking Fund (other than the Series 1997 B Bonds Reserve Account therein). Except as otherwise allowed, any money deposited in the Series 1997 B Bonds Sinking Fund for payment of the principal of or interest, if any, on the Bonds (other than the Series 1997 B Bonds Reserve Account therein), will be spent within a 13-month period beginning on the date of receipt and will be invested without yield limitation, and any moneys received from the investment of amounts held in the Series 1997 B Bonds Sinking Fund (other than in the Series 1997 B Bonds Reserve Account therein) will be spent within a 1-year period beginning on the date of receipt.

19. The amount designated as cost of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

20. All property financed with the proceeds of the Bonds will be held for federal income tax purposes by (or on behalf of) a qualified governmental unit.

21. No more than 10% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than 5% of the proceeds of Bonds or \$5,000,000 have been or will be used to make or finance loans to, any person who is not a governmental unit.

22. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue, except to the extent any such proceeds are required for rebate to the United States.

23. The Issuer shall use the Bond proceeds of the Bonds solely for the costs of design of the Project, and the Project, when constructed, will be operated solely for a public purpose as a local governmental activity of the Issuer.

24. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and the

Treasury Regulations promulgated or to be promulgated thereunder in order to assure that the interest, if any, on the Bonds is excluded from gross income for federal income tax purposes.

25. The Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

26. The Issuer will rebate to the United States the amount, if any, required by the Code and 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, in order to maintain the exclusion of interest, if any, on the Bonds from gross income for federal income tax purposes.

27. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest, if any, on the Bonds from the gross income for federal income tax purposes.

28. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in the Code.

29. The Issuer has either (a) funded the Series 1997 B Bonds Reserve Account at the maximum amount of principal and interest, if any, which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 1997 B Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 1997 B Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest, if any, which will mature and become due on the Bonds in the then current or any succeeding year. Moneys in the Series 1997 B Bonds Reserve Account and the Series 1997 B Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Bonds and will not be available to pay costs of the Project.

30. The Issuer shall submit to the Authority within 15 days following the end of each bond year a certified copy of its rebate calculation and a certificate with respect thereto or, if the Issuer qualifies for the small governmental issuer exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Bonds subject to rebate.

31. The Issuer expects that no part of the Project financed by the Bonds will be sold or otherwise disposed of prior to the last maturity date of the Bonds.

32. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest, if any, thereon. In addition, the Issuer has covenanted to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and has covenanted 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 Resolutions authorizing issuance of the Bonds.

33. The Bonds are a fixed yield issue. No interest or other amount payable on the Bonds (other than in the event of an unanticipated contingency) is determined by reference to (or by reference to an index that reflects) market interest rates or stock or commodity prices after the date of issue.

34. None of the Bonds has a yield-to-maturity more than one-fourth of one percent higher than the yield on the Bond determined by assuming the Bond is retired on the date that when used in computing the yield on the Bond produces the lowest yield.

35. No portion of the proceeds of the Bonds will be used, directly or indirectly, to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

36. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

37. Except for a reasonable temporary period until such proceeds are needed for the purpose for which such issue was issued or as otherwise allowed, no portion of the proceeds of the Bonds will be used, directly or indirectly, to acquire higher yielding investments, or to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

38. The transaction contemplated herein does not represent an exploitation of the difference between taxable and tax-exempt interest rates and the execution and delivery of the Bonds is not occurring sooner than otherwise necessary, nor are the Bonds in principal amounts greater than otherwise necessary or to be outstanding longer than otherwise necessary.

39. On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

40. 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.

41. Steptoe & Johnson 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, if any, on the Bonds.

42. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

WITNESS my signature on this 11th day of December, 1997.

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT


Chairman

12/03/97
067740/96003



BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

CERTIFICATE OF ENGINEER

I, H. Ben Faulkner, Jr., Registered Professional Engineer, West Virginia License No. 4790, of Pentree Incorporated, Consulting Engineers, in Princeton, West Virginia, hereby certify as follows:

1. My firm served as engineer for the design of certain improvements and extensions to the existing public sewerage facilities of Berkeley County Public Service Sewer District (the "Issuer"), which design is being financed by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution and the Supplemental Resolution adopted by the Issuer on December 9, 1997, and the Loan Agreement dated November 6, 1997 (the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP").

2. The Bonds are being issued for the purposes of (i) paying a portion of the costs of design of the Project; (ii) funding a reserve account for the Bonds; and (iii) paying costs of issuance and related costs.

3. The undersigned hereby certifies that (i) the Project will be designed by my firm as described in the application submitted to the Authority and the DEP, requesting the Authority to purchase the Bonds (the "Application") and approved by the Issuer and all necessary governmental bodies, (ii) the Project will be adequate for the purpose for which it will be designed and when constructed, has an estimated useful life of at least twenty years, (iii) prior to construction, the undersigned will assist the Issuer in obtaining all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and the operation of the System, (iv) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (v) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto, are sufficient to pay the costs of design of the Project as set forth in the Application, and (vi) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature and seal on this 11th day of December, 1997.



PENTREE INCORPORATED



H. Ben Faulkner, Jr., P.E.
West Virginia License No. 4790

11/24/97
067740/96003

NAME OF GOVERNMENTAL AGENCY: Berkeley County Public Service Sewer District

ESTIMATED TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

A. Cost of Project

| | | | | |
|-------|--|----|------------------|---------------------|
| 1. | Construction | \$ | _____ | |
| 2. | Technical Services | \$ | <u>1,165,765</u> | |
| 3. | Legal and Fiscal | \$ | _____ | |
| 4. | Administrative | \$ | _____ | |
| * 5. | Site and Other Lands | \$ | _____ | |
| ** 6. | Fac. Plan/Design or Other Loan Repayment (Specify Type: _____) | \$ | _____ | |
| 7. | Interim Financing Costs | \$ | _____ | |
| 8. | Contingency | \$ | _____ | |
| 9. | Total of Lines 1 Through 8 | | | \$ <u>1,165,765</u> |

B. Sources of Funds

| | | | | |
|-----|---|----|-------|---------------------|
| 10. | Federal Grants: ¹ _____ | \$ | _____ | |
| | (Specify Sources) _____ | \$ | _____ | |
| 11. | State Grants: ¹ _____ | \$ | _____ | |
| | (Specify Sources) _____ | \$ | _____ | |
| 12. | Other Grants: ¹ _____ | \$ | _____ | |
| | (Specify Sources) _____ | \$ | _____ | |
| 13. | Any Other Source ² _____ | \$ | _____ | |
| | (Specify) _____ | \$ | _____ | |
| 14. | Total of Lines 10 Through 13 | | | \$ _____ |
| 15. | Net Proceeds Required from Bond Issue (Line 9 minus Line 14) | | | \$ <u>1,165,765</u> |

C. Cost of Financing

| | | | | |
|-----|---|----|---------------|---------------------|
| 16. | Capitalized Interest (Construction period plus six months) | \$ | _____ | |
| 17. | Funded Reserve Account: ³ | \$ | <u>75,985</u> | |
| 18. | Other Costs: ⁴ Bond Counsel | \$ | <u>8,000</u> | |
| | Registrar Fees | \$ | <u>250</u> | |
| 19. | Total Cost of Financing (lines 16 - 18) | \$ | <u>84,235</u> | |
| 20. | Size of Bond Issue (Line 15 plus Line 19) | | | \$ <u>1,250,000</u> |

* not allowable for State Revolving Fund Assistance
 ** WDA loans are not allowable

Walt Albert, PKSW
 Signature of Applicant

Date 10-23-97

[Signature]
 Signature of Consulting Engineer

Date 12/04/97





J.C. Kunkle & Associates
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

December 11, 1997

Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Division of Environmental Protection
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia entered August 23, 1994, in Case No. 93-0619-PSD-CN, the current operation and maintenance expenses of Berkeley County Public Service Sewer District (the "Issuer") and the current number and type of customers of the Issuer, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program) (the "Bonds"), to be issued to the West Virginia Water Development Authority on the date hereof, and all other obligations secured by or payable from the revenues of the System, on a parity with or junior to the Bonds, including all Prior Bonds of the Issuer as defined and described in the Bond Resolution of the Issuer adopted December 9, 1997, authorizing the Bonds. It is my further opinion that the Net Revenues actually derived from the System during 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of the 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 Bonds.

Very truly yours,

J.C. KUNKLE AND ASSOCIATES

John C. Kunkle, CPA, MBA
Owner

JCK/tk

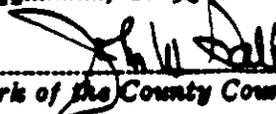


STATE OF WEST VIRGINIA, }
COUNTY OF BERKELEY, } TO WIT:

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 March 2, 1979.....

.....
as the same appears of record in the Office of the said Clerk of the County Court in ..Minute
Book No.25....., Page33.....

IN WITNESS WHEREOF, I have hereto set my hand and the seal of said court, at my office,
in said County, this30th..... day ofApril....., 1990.....


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

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

Court Minutes of March 2, 1979 cont'd

IN RE: INSURANCE PROFESSIONAL LIABILITY - SHERIFF'S DEPARTMENT

Star Sorger, Smith Nadenbousch Insurance Firm appeared before the Commission with the new Professional Liability Insurance Policy to include the Police Reserve in the amount of \$5,787.25 annually.

Commissioner Downey moved the Commission cancel the NATIONAL SHERIFFS' ASSOCIATION LIABILITY POLICY as of February 28, 1979 at 12:00 Midnight, and accept the new policy as of February 28, 1979 at 12:01 P.M. with Smith Nadenbousch.

Refund premium from the National Sheriffs Association will be in the amount of \$2,877.42. Commissioner Wright seconded. So ordered.

IN RE: BERKELEY COUNTY PUBLIC SERVICE DISTRICT FOR COUNTY SEWER SERVICE

Sorague Hazard appeared before the Commission with an ORDER for a public hearing on April 10, 1979 at 10:30 A.M. for the creation of a Public Service District to provide sewerage service for Berkeley County.

Commissioner Downey moved the ORDER be placed on the Minutes.
Commissioner Wright seconded. So ordered.

O R D E R

Pursuant to the authority vested in the County Commission of Berkeley County, West Virginia, by W. Va. Code, 16-11A-2, the County Commission of Berkeley County, West Virginia, on its own motion, by order duly adopted on this day, the 2nd of March, 1979, hereby proposes the creation of a public service district for providing sewerage services for Berkeley County, West Virginia.

The territory to be embraced by this public service district is all of Berkeley County, West Virginia. The names of the proposed public service district shall be the Berkeley County Sewer Authority. The purpose of this public service district shall be the further preservation of the public health, comfort and convenience of the residents of Berkeley County by providing county-wide sewerage services to collect, treat, purify or dispose of liquid or solid wastes, sewage or industrial wastes.

Further, the County Commission fixes the date of Wednesday, April 10, 1979, at 10:30 A.M. for a public hearing on the creation of the proposed public service district, this date being not more than forty (40) days nor less than twenty (20) days from today. This public hearing shall be held at Berkeley County Court House, Room 5.

Further the Clerk of the County Commission of Berkeley County is directed to cause notice of this public hearing to be given by publication as a Class I legal advertisement in compliance with the provisions of W. Va. Code, 59-3-1 et seq. in the Evening Journal, Martinsburg, West Virginia. This notice by publication shall contain the time and place of the public hearing and shall set forth a description of all the territory proposed to be included in this public service district. Further, this publication shall be completed at least ten (10) days prior to the public hearing.

Further, the Clerk of the County Commission of Berkeley County shall cause to 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 outlined above. Further, these posted notices shall be posted not less than ten (10) days before the public hearing.

Further, at this hearing all persons residing in, owning or having an interest in property in Berkeley County, West Virginia, shall have an opportunity to be heard for and against the creation of this proposed public service district. Also, at this hearing the County Commission of Berkeley County shall consider and determine the feasibility of the creation of this proposed public service district.

COUNTY COMMISSION OF BERKELEY COUNTY,
WEST VIRGINIA
S/S by John Evans Wright, President

IN RE: JENEICE ROBINSON AND SHIRLEY MASON APPOINTED AS OFFICE DEPUTY ASSESSOR

Mrs. Helen Vickers appeared before the Commission and swore in Jeniece Robinson and Shirley Mason as Office Deputy Assessors for the County Assessors Office.

IN RE: APPLICATION OF IDA E. SINE AS NOTARY PUBLIC

Upon the application of Ida E. Sine, of Rt. 1, Box 41A, Gerrardstown, W. Va., for appointment as Notary Public in and for the County of Berkeley, it was shown to the satisfaction of this Court, that said applicant is a resident of the County from which she seeks appointment, that she is competent to perform the duties of such office, and that she is a person of good moral character, all of which the Clerk of the Court is directed to certify according to law.

IN RE: RAILROAD CONTRIBUTION FOR FENCING FOR P.O. FAULKNER PARK

Commissioner Downey moved the Commission sign the letter from the Park and Rec. Board, approving the fencing the Railroad against the County land.
Commissioner Wright seconded. So ordered.

Mr. J. M. Emmett, Division Manager
Operating Department
Chessie System
Caden Station
Baltimore, MD 21201

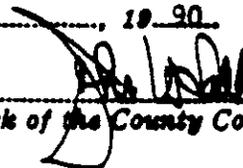
RE: Contribution of \$7,500.00 for construction of fence for use by the Martinsburg-Berkeley County Recreation Board

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 ofCommission Minutes of November 27, 1979.....

.....
as the same appears of record in the Office of the said Clerk of the County Court inMinute.
Book No.25....., Page227.....

IN WITNESS WHEREOF, I have hereto set my hand and the seal of said court, at my office,
in said County, this30th..... day ofApril....., 19.....90.....


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

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

Commission Minutes of Nov. 27, 1979 con

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. 357 - 358
General Co. Fund.....No. 27339 - 27361

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

Commissioner Burkhardt 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 Burkhardt President

November 21, 1979

In Vacation of Court.

IN RE: SYMPATHY EXTENDED TO COMMISSIONER DOWNEY

Commissioners Wright and Burkhardt 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

CC
AEX
CH
HD
DE
PJ
District Five
County Commission
Dept. of Public Safety
WV Motor Truck Assoc.
Contractors Assoc. of WV

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



Minute Book No. 33 County Commission of Berkeley County, West Virginia

IN RE: ERRONEOUS ASSESSMENTS

Commission Minutes of June 24, 1993 - Continued

Commissioner Murphy made a motion for the Commission to approve the following exonerations as approved by the assessor and prosecuting attorney's office. Commissioner Kisner seconded the motion. So ordered.

Schranz, William F./Gail M. in the Hedgesville District for the 1992 year. Dr. Schranz was active military outside West Virginia on 7/1/91. A 1988 Buick and a 1987 Buick are involved. Acct #1435370 Exon \$169.88

Lewis, Donald L. & Doris J. in the Hedgesville District for the 1992 year. Classification of property incorrectly applied. Account No. 6027024 Exonerated \$281.70

Stevenson, Charles Anthony in the Falling Waters District for the 1992 year. Taxpayer reported a 1987 Ford Mustang in error. Did not own Mustang on 7/1/91. Account No. 1583049 Exonerated \$44.08

M&M Construction Inc. in the Martinsburg District for the 1992 year. House was included that was not there 7/1/91. Acct #7187858 Exonerated \$1092.58

Potomac Valley Properties in the Hedgesville District for the 1992 year. This was duplicate with Michael Javorsti on map 19G, parcel 11. New owner: Javorsti, Michael Francis & Betty B. Acct #6023279 Exon \$75.06

Far Horizons Foundation, Inc. in the Arden District for the 1992 year. Para - Use Code 9 was omitted from this account. Future accounting correction has been made. Account No. 6072313 Exonerated \$1,069.60

IN RE: WALDON STURMS - ORDER APPROVED

Commissioner Murphy made a motion to authorize the president's signature on the Order declaring Waldon Sturms, incompetent. Commissioner Kisner seconded the motion. So ordered.

(Order appears in Competency Book No. 1)

IN RE: WORTHLESS CHECK AGREEMENT

Commissioner Murphy made a motion to table the decision on the Worthless Check Agreement until July 1st, when Commissioner Smith is present. Commissioner Kisner seconded the motion. So ordered.

IN RE: MESSAGE PARLOR ORDINANCE - ADOPTED

Commissioner Murphy made a motion for the Commission to adopt the Message Parlor Ordinance. Commissioner Kisner seconded the motion. So ordered.

Commissioner Murphy: Article IV, paragraph 6 of the Ordinance has been clarified to state that message parlors do not have to suspend their operation as long as they submit changes of personnel to the sheriff's office.

IN RE: ROBERT GROVE - REAPPOINTMENT TO SEWER BOARD

Commissioner Murphy made a motion for the Commission to reappoint Robert Grove to a six-year term on the Berkeley County Public Service Sewer District Board. His six-year term will expire on June 30, 1999. Commissioner Kisner seconded the motion. So ordered.

IN RE: DAVID OWINGS - RESIGNATION - DEPUTY SHERIFF'S CIVIL SERVICE COMMISSION

Commissioner Murphy made a motion for the Commission to accept the letter of resignation from David Owings from the Deputy Sheriff's Civil Service Commission. Commissioner Kisner seconded the motion. So ordered.

IN RE: FRED GANTT - APPOINTMENT TO PLANNING COMMISSION

Commissioner Murphy made a motion for the Commission to appoint Fred Gantt as a member of the Berkeley County Planning Commission, fulfilling the unexpired term of Bill Moore, which expires December 31, 1994. Commissioner Kisner seconded the motion. So ordered.

IN RE: ALTERNATIVE SENTENCING

Commissioner Murphy: A law was recently passed, House Bill 2277, giving magistrates the same latitude as judges on alternative sentencing. Magistrates can now require a person to work for a county agency. The judges work with the probation office and the magistrates will work with the sheriff. The magistrates also have the ability for home confinement, which the sheriff monitors.

We need to schedule a meeting with the sheriff and magistrates after the bailiff issue has been addressed. The money saved from the bailiff issue could be used to hire someone to find the jobs and supervise the voters. The person would not have to be a law enforcement officer.

IN RE: BAKERS FIELD - DONATION OF LINER BY GUNDEL

Commissioner Murphy: Gundel Systems is donating an 80 mil liner, to be stored at Knouse Foods, and a crew to install the liner at no cost when we are ready to install it.

IN RE: DEFERRED COMPENSATION PLAN

Daniel O'Donnell: Attorney Norwood Bentley has reviewed the agreements for the Deferred Compensation Plan and recommended their adoption. PEBSCO is sponsored by the National Association of Counties. The plan allows employees to defer up to \$7,500 per year or 25 percent of their income into a deferred compensation plan which earns a fairly high rate of interest. There are three different types of return. The guaranteed return is at 7.4 percent now. You do not pay taxes until the money is taken out. The money can only be withdrawn for retirement, when you are separated from your employment, or an emergency situation. Upon retirement, you can either set up a payment schedule to supplement your retirement or receive one lump sum. It is a voluntary savings plan benefit for the employees at no cost to the County.

Commissioner Murphy made a motion to authorize the president's signature on the Contracts with Public Employees Benefit Services Corporation (PEBSCO), pertaining to the Deferred Compensation Plan. Commissioner Kisner seconded the motion. So ordered.

IN RE: RECIPROCAL FIRE PROTECTION AGREEMENT BETWEEN BERKELEY AND JEFFERSON COUNTIES

Commissioner Murphy made a motion for second reading next week, the countywide reciprocal fire protection agreement between Berkeley and Jefferson Counties, as agreed and voted upon by the Fire and Rescue Association.

A TRUE COPY ATTEST

John W. Small Jr., Clerk Berkeley County Court

Deputy Clerk

By [Signature]

Minute Book No. 33 County Commission of Berkeley County, West Virginia

Commission Minutes of July 15, 1993 - Continued

Hutton, Joseph F. in the Falling Waters District for the 1993 year. Mr. Hutton was on active duty with the military July 1, 1991. Taxpayer presented a copy of his 90214. Account No. 1015289 Exonerated \$39.90

Dunham, Robert Y. and Lois A. in the Martinsburg District for the 1993 year. The assessment of this land was not considered residual land to homesite. Account No. 6150773 Exonerated \$32.88

Dunham, Robert Y. and Lois A. in the Martinsburg District for the 1993 year. The assessment of this land was not considered residual to homesite. Account No. 6150782 Exonerated \$33.62

De-Mar Builders, Inc. in the Falling Waters District for the 1993 year. House was not completed 7/1/92. Was charged for it in error. Account No. 7212931 Exonerated \$1165.94

Hollis Lowman Sales Service in the Hedgesville District for the 1992 year. This parcel should have farm use applied. It did not and was in Class III, also. Account No. 7188866 Exonerated \$134.74

IN RE: RECESS

Commissioner Murphy moved for Commission to recess. Commissioner Smith seconded the motion. So ordered unanimously.

William "Shog" Kisner
William "Shog" Kisner, President

Special Emergency Meeting - July 16, 1993

Commission Met Pursuant to Recess
Present: William "Shog" Kisner, President
Patrick H. Murphy, Commissioner
Daniel R. O'Donnell, County Administrator

IN RE: EMERGENCY REPAIRS TO SEWER LINE

Commissioner Murphy made an emergency motion to waive the bidding process and hire Coston Contracting, Inc., to do the emergency repairs on the broken sewer line. Commissioner Kisner seconded the motion. So ordered.

IN RE: RECESS

Commissioner Murphy moved for Commission to recess. Commissioner Kisner seconded the motion. So ordered.

William "Shog" Kisner
William "Shog" Kisner, President
Commission Minutes of July 22, 1993

Commission Met Pursuant to Recess
Present: William "Shog" Kisner, President
Patrick H. Murphy, Commissioner
James C. Smith, Commissioner
Daniel R. O'Donnell, County Administrator
Attorney Morwood Bentley, III
Preston B. Gooden, Sheriff
Gary Collins, Imbalance Authority
Department Heads
Chuck Tomlinson, PERSCO
Marsha Kelley, Purchasing Clerk

Bills against the County were audited, approved and ordered paid by warrants drawn on their respective funds, of even date herewith, which is hereby made a part of this Order.

IN RE: COMMISSION MINUTES OF JULY 15 & 16, 1993 - APPROVED

Commissioner Smith made a motion to approve the Commission Minutes of July 15 and 16, 1993. Commissioner Murphy seconded the motion. So ordered unanimously.

IN RE: MARY COLLINS - APPOINTMENT TO SEWER BOARD

Commissioner Murphy made an emergency motion for the Commission to appoint Mary Collins to the Berkeley County Public Service Sewer District, to fill the unexpired term of Pintan O'Neill, whose term expires June 30, 1998. Commissioner Smith seconded the motion. So ordered unanimously.

IN RE: LEGAL REPRESENTATION FOR SHERIFF

Sheriff Preston Gooden: The law suit pertaining to the latest false arrest has never been served on me. I called the attorney who filed the suit and he will not return my call. The second law suit pertains to the Deputy Civil Service matter. Do I handle that suit through Attorney Morwood Bentley?

Commissioner Kisner: The prosecutor's office should defend you.

Commissioner Smith: Check with the prosecuting attorney first. If you do not have adequate defense there, let us know. If you were to lose that case, it would have an impact on our budget.

Sheriff Preston Gooden: The case mostly hinges on the recommendations for the number of sergeants, corporals, lieutenants, etc. The same recommendations are for the 30 men in the department. The one case specifically deals with Deputy Copenhaver. The Code is clear - he is on disability and working the radio, as per orders of his doctor, because of a degenerating back problem. The Code specifically states you cannot promote unless you are physically in shape. The ones promoted have to take the physical. That is the reason he was passed over.

Daniel O'Donnell: We can write a memo to the prosecuting attorney's office requesting their assistance.

Sheriff Preston Gooden: We have a mandamus on one that has to be addressed next week.

Commissioner Kisner: You can request an extension if you are not prepared for it.

Commissioner Murphy: If the prosecuting attorney's office cannot handle the case and it means select representation, I think we should use our attorney.

A TRUE COPY
ATTEST

John W. Smith, Jr., Clerk
Berkeley County, West Virginia

By *[Signature]*
Deputy Clerk

Minute Book No. 35 County Commission of Berkeley County, West Virginia

Commission Minutes of May 22, 1997 - Continued

Commissioner Dunham moved the Commission out of executive session. Commissioner Smith seconded the motion. So ordered.

During the executive session, a personnel matter was discussed. No motions were made.

IN RE: KARL KELLER AND JOHN MYERS - APPOINTMENTS

Commissioner Smith: Karl Keller is at the end of his term on the Sewer Board. He is willing to fill the position vacated by John Myers on the Opequon PSD Board. Since that term expires at the end of '98, he would like a statement of commitment from the Commission that if everything works well, the Commission will reappoint him to a six-year term at the end of '98. As John Myers has to come off the Opequon PSD Board, I recommend him as Karl Keller's replacement on the Sewer Board.

Commissioner Dunham made a motion, effective July 1st, for the Commission to appoint Karl Keller to the Opequon PSD Board, fulfilling the unexpired term of John Myers, which expires December 31, 1998, and to appoint John Myers to a six-year term on the Berkeley County PSSD Board, his term expiring June 30, 2003. Commissioner Smith seconded the motion. So ordered.

Robert Burkhart: You have my concurrence in the motion.

IN RE: WELLNESS IS AGELESS EVENT

Eileen Dooley: We are sponsoring the 2nd Annual Senior Health and Fitness Day with City Hospital on Wednesday, May 28th. It is a fund raiser for the new senior center. It costs \$5 to register for the walk. Each time you register for an event, it makes you eligible for a door prize. We would like for you to walk with us and wear one of our Berkeley Senior Services' hats.

We received \$3,000 from F&M Bank from the senior summit and the bid opening is scheduled for June 18th.

IN RE: HAZARD MITIGATION UPDATE

Deborah Sheetenhelm: In March of '96, we met with flood victims about a program that was new to the State of West Virginia. Hazard Mitigation allows us to address flood prone areas that consistently flood and find long-term solutions. A number of individuals have expressed an interest in participating in the program.

Al Lisko: FEMA is working on the options reports we said would be done. It has taken longer than anyone anticipated due to the May and June flooding in other parts of the State. FEMA now has the information and will be doing the actual reports. The information I presented to you last March is quite accurate. The program is still in place. The project is funded 75 percent by FEMA. The legislature did appropriate the 25 percent matching funds and those funds were placed in FEMA's budget. The matching funds for the January and September floods are in place. We are waiting for project approval.

Congressman Wise contacted FEMA and received a commitment that Berkeley County would be the first one done. Prioritization is still done by the State so there is no assurance of funding for any project. People have not dropped out of the process because of the length of time. This shows that those individuals who were willing to consider the program initially are sincerely interested in lowering their flood risk. As soon as we receive the option report, we will present it to you for your review and then schedule public meetings to present the information to the individuals.

There may be situations where this program is not adequate and there may be alternative sources of funding available. In some areas, people are looking for projects to improve drainage and there may be more appropriate funding mechanisms than this program, which would free up money for the purchase or elevation of properties.

FEMA now has a program for annual funding of mitigation. If a particular project is not funded in Berkeley County from the January or September disaster, we still have other options. There are more opportunities now than there were a year ago for mitigation to take place. The foundation you and your citizens are laying is one that can be built upon down the road.

Deborah Sheetenhelm: With the annual funding, in both the January and September instances, we had individuals months after the deadlines still interested in the program. I sent them information in the event that in the future there would be additional funding. We have individuals who would like to be part of the program who could possibly fit into the annual funding mechanism.

Commissioner Smith: The property that is mitigated will be ours and with that comes responsibility. The positive side is that we may find ourselves with property along the Potomac River that we could turn into public access to the river.

Commissioner Dunham: If the County eventually owns lots by the river and their maintenance becomes a problem, could we sell the property to individuals for recreational purposes?

Al Lisko: No. Depending on which properties are involved, if DNR needs stream access in that area, they would take title to it. Some areas could be leased to a farmer. FEMA requires no structures are to be built upon the land, it be in public ownership, it be used for open space, and the only enclosed structures that can be used without direct permission from FEMA are restroom facilities. There is also the stipulation that there can never be disaster assistance provided on that parcel ever again.

Robert Burkhart: When this property is turned over to the County, who pays for the survey, the deed transfer, etc.?

Al Lisko: If the Commission and the seller agree on a price to purchase the property, in the application would be the negotiated price plus the cost of all deed transfer requirements, plus the cost of demolition of that structure, plus the cost of any reseeded. The project will include all costs for purchase that are necessary to restore that piece of land to an open space. FEMA will put up 75 percent and the State will contribute 25 percent.

Robert Burkhart: The County does not have to initially put out any dollars?

Al Lisko: No. Over time, if another flood comes through, you may end up with enough land to develop a County park by the river. After we go through these four disasters, we anticipate that after certain requirements are met for the annual funding mechanism increment, those projects will keep surfacing until they are acted upon. There is discussion in FEMA National now of removing the restriction that only counties that are part of the

A TRUE COPY
AFFIXED

John M. Scott, Jr., Clerk
By Phyllis Woodhall

State of West Virginia,
Berkeley County, Sct.;

CA-10 J. HARRIS INC.

Before me, John W. Small, Jr., Clerk of the Court of the County and State aforesaid,
personally appeared Robert Lee Grove, Sr. who
has been duly appointed to the office of _____
Berkeley County Public Service Sewer District
and took and subscribed the following:

I, Robert Lee Grove, Sr., do solemnly swear that I will
support the Constitution of the United States and the Constitution of the State of West Virginia.

I, Robert Lee Grove, Jr., do solemnly swear that I will
faithfully discharge the duties of the office of _____
Berkeley County Public Service Sewer District
to the best of my skill and judgment. So help me God.

[Signature]

Given under my hand this 23 day of July, 19 93

[Signature]
Clerk of the County Court of Berkeley County

A TRUE COPY
ATTEST

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

By [Signature]
Deputy Clerk



A TRUE COPY
ATTEST

State of West Virginia,
Berkeley County, Sci.;

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

By Phyllis C. Wood
Deputy Clerk

Before me, John W. Small, Jr. Clerk of the Court of the County and State aforesaid,
personally appeared Mary Collins who
has been duly appointed to the office of Berkeley County Public Service Sewer District Board of Directors
and took and subscribed the following:

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

I, Mary Collins do solemnly swear that I will
faithfully discharge the duties of the office of Berkeley County Public Service Sewer District Board of Directors
to the best of my skill and judgment. So help me God.

Mary Collins

Given under my hand this 26th day of July, 1993

Term expires: June 30, 1998

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



State of West Virginia,
Berkeley County, Sci.;

Before me, John W. Small, Jr., Clerk of the Court of the County and State aforesaid,

personally appeared John E. Myers who

has been duly appointed _____ to the office of _____
Member of the Board of Directors for the Berkeley Co. Public Service Sewer Dist..

and took and subscribed the following:

I, John E. Myers, do solemnly swear that I will
support the Constitution of the United States and the Constitution of the State of West Virginia.

I, John E. Myers, do solemnly swear that I will

faithfully discharge the duties of the office of _____
Member of the Board of Directors for the Berkeley Co. Public Service Dist.

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

Given under my hand this 1st day of July, 1997

Term Expires: June 30, 2003



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

A TRUE COPY
ATTEST

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

By Thyllis Woodfork
Deputy Clerk

RULES OF PROCEDURE

Berkeley County PUBLIC SERVICE Sewer District

ARTICLE I
NAME AND PLACE OF BUSINESS

DISTRICT Section 1. Name: Berkeley County PUBLIC SERVICE Sewer District

Section 2. The principal office of this Public Service District will be located at 2160 Eagle School Road, Martinsburg, 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 the 1st day of July in 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 monthly meetings on the 2nd Monday of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

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

Section 3. Unless otherwise waived, notice to members by letter or telephone shall be required for regular meetings. Unless otherwise waived, notice in writing of each special meeting of the membership shall be given to all members by the Secretary by mailing the same to the last known post office addresses of the members at least 3 days before the date fixed for such 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, notice of the time and place of all regularly scheduled sessions of such Public Service Board, and the time, place and purpose of all special sessions of such Public Service Board, shall be made available, in advance, to the public and news media as follows:

A. A notice shall be posted by the Secretary of the Public Service Board of the Public Service District at the front door of the Berkeley County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board of the time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled sessions. If a particular regularly scheduled session is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation or postponement has been determined upon.

B. A notice shall be posted by the Secretary of the Public Service Board at the front door to the Berkeley County Courthouse and at the front door of the place fixed for the regular meetings of the Public

Service Board at least 48 hours before a special session is to be held, stating the time, place and purpose for which such special session shall be held. If the special session is cancelled, a notice of such cancellation shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation has been determined upon.

C. The form of notice for posting as to a special session may be generally as follows:

Berkeley County PUBLIC SERVICE Sewer District

NOTICE OF SPECIAL SESSION

The Public Service Board of Berkeley Co. Public Service Sewer District will meet in special session on _____, at _____ M., prevailing time, at _____, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Authorizing Resolution providing for the issuance of a _____ Bond, Series _____, of the District, in the principal amount of \$ _____, to provide funds for construction of _____ facilities of the District.

2.

Secretary

Date: _____

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, Secretary and 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 the month of January of 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. He shall, together with the Secretary, sign the minutes of all meetings at which he shall preside. He shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon him by the Board, by these Rules of Procedure, or prescribed by law. He 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. If the Chairman is absent from any meeting, the remaining members of the Board shall select a temporary chairman.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. He shall, together with the Chairman, sign the minutes of the meetings at which he is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other writings and papers of the Board. He shall also perform such other duties as he may have under law by virtue of his office or as may be conferred upon him from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out 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.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended 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 or addition shall be made at any special meeting

unless notice of the intention to propose such change, alteration, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

03/23/90

FORMS/NOTICE/N

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

MINUTES OF CURRENT YEAR ORGANIZATIONAL MEETING

The undersigned SECRETARY of the Public Service Board of Berkeley County Public Service Sewer District, hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the said Public Service Board:

The Public Service Board of Berkeley County Public Service Sewer District met in regular session, pursuant to notice duly posted, on the 8th day of July, 1997, in Martinsburg, West Virginia, at the hour of 7:00 p.m.

PRESENT: Robert L. Grove, Sr. - Member
John Myers - Member

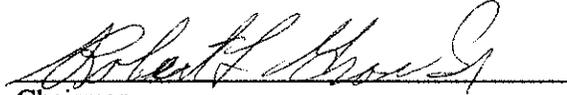
ABSENT: Mary Collins - Member

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

Thereupon, on motion duly made and seconded, the following people were nominated and elected to the following offices for 1997:

Chairman - Robert L. Grove, Sr.
Secretary - John Myers
Treasurer - Mary Collins

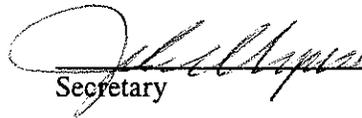
There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.


Chairman

CERTIFICATION

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

WITNESS my signature on this 11th day of December, 1997.


Secretary

12/03/97
067740/96003



BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION

The undersigned SECRETARY of the Public Service Board of Berkeley County Public Service Sewer District, hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Berkeley County Public Service Sewer District met in special session, pursuant to notice duly posted, on the 9th day of December, 1997, in Martinsburg, West Virginia, at the hour of 7:00 p.m.

| | | | |
|----------|----------------------|---|----------------------|
| PRESENT: | Robert L. Grove, Sr. | - | Chairman and Member |
| | John Myers | - | Secretary and Member |
| | Mary Collins | - | Treasurer and Member |

ABSENT: None.

Robert L. Grove, Sr., Chairman, presided, and John Myers, acted as Secretary.

The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it. Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE DESIGN OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$1,250,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL

DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

The Chairman then presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1997 B (WEST VIRGINIA SRF PROGRAM), OF BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT; RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING 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 and seconded, it was unanimously ordered that the said Supplemental 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.


Chairman

CERTIFICATION

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

WITNESS my signature on this 11th day of December, 1997.


Secretary

12/03/97
067740/96003

2

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

REVISED

NEW ISSUE REPORT FORM

Date of Report: December 11, 1997

(See Reverse for Instructions)

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT SEWER
ISSUE: REVENUE BONDS, SERIES 1997 B (West Virginia Srf Program)

ADDRESS: Post Office Box 944, Martinsburg, WV 25401 COUNTY: Berkeley

PURPOSE: New Money Refunding
OF ISSUE: Refunding Refunds issue(s) dated: _____

ISSUE DATE: December 11, 1997 CLOSING DATE: December 11, 1997

ISSUE AMOUNT: \$ 1,250,000 RATE: 2% ADMINISTRATIVE FEE: 1%

1st DEBT SERVICE DUE: 3/1/99 1st PRINCIPAL DUE: 3/1/99

1st DEBT SERVICE AMOUNT: \$18,996.29 PAYING AGENT: Municipal Bond Commission

ISSUERS
BOND COUNSEL: Steptoe & Johnson
Contact Person: Vincent A. Collins, Esq.
Phone: 624-8161

UNDERWRITERS
BOND COUNSEL: Jackson & Kelly
Contact Person: Samme L. gee, Esq.
Phone: 340-1318

CLOSING BANK: One Valley Bank-East
National Association
Contact Person: Stephen Cox
Phone: 264-8048

ESCROW TRUSTEE:
Contact Person:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Walt Sebert
Position: General Manager
Phone: 263-8566 FAX: _____

OTHER: West Virginia Division of Environmental Protection
Contact Person: Rosalie Brodersen
Function: Branch Leader
Phone: 558-0637

DEPOSITS TO MBC AT CLOSE: _____
By Wire _____
 Check _____
Accrued Interest: \$ _____
Capitalized Interest: \$ _____
 Reserve Account: \$ 75,985
Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By Wire _____
 Check _____
 IGT _____
To Escrow Trustee: \$ _____
To Issuer: \$ _____
To Cons. Invest. Fund: \$ _____
To Other: \$ _____

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: December 11, 1997

(See Reverse for Instructions)

ORIG-CHG25

ISSUE: BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT SEWER REVENUE BONDS, SERIES 1997 B (West Virginia SRF Program)

ADDRESS: Post Office Box 944, Martinsburg, WV 25401 COUNTY: Berkeley

PURPOSE: New Money Refunding Refunds issue(s) dated: _____

ISSUE DATE: December 11, 1997 CLOSING DATE: December 11, 1997

ISSUE AMOUNT: \$ 1,250,000 RATE: 2% ADMINISTRATIVE FEE: 1%

1st DEBT SERVICE DUE: 9/1/98 1st PRINCIPAL DUE: 9/1/98

1st DEBT SERVICE AMOUNT: \$18,996.29 PAYING AGENT: Municipal Bond Commission

ISSUERS
BOND COUNSEL: Steptoe & Johnson

Contact Person: Vincent A. Collins, Esq.

Phone: 624-8161

CLOSING BANK: One Valley Bank-East National Association

Contact Person: Stephen Cox

Phone: 264-8048

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Walt Sebert

Position: General Manager

Phone: 263-8566 FAX: _____

UNDERWRITERS
BOND COUNSEL: Jackson & Kelly

Contact Person: Samme L. gee, Esq.

Phone: 340-1318

ESCROW TRUSTEE: _____

Contact Person: _____

Phone: _____

OTHER: West Virginia Division of Environmental Protection

Contact Person: Rosalie Brodersen

Function: Branch Leader

Phone: 558-0637

DEPOSITS TO MBC AT CLOSE: Accrued Interest: \$ _____
By Wire Capitalized Interest: \$ _____
 Check Reserve Account: \$ 75,985
Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By Wire To Escrow Trustee: \$ _____
 Check To Issuer: \$ _____
 IGT To Cons. Invest. Fund: \$ _____
To Other: \$ _____

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____



STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SIXTH FLOOR

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

December 11, 1997

BANK ONE CENTER, SEVENTH FLOOR
P. O. BOX 1588
CHARLESTON, W. VA. 26320-1588
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1818
MORGANTOWN, W. VA. 26507-1818
(304) 598-8000
FACSIMILE (304) 598-8118

128 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 26402-2629
(304) 283-8991
FACSIMILE (304) 283-4788

104 WEST CONGRESS STREET
P. O. BOX 100
CHARLES TOWN, W. VA. 26414-0100
(304) 728-1414
FACSIMILE (304) 728-1813

RILEY BUILDING, FOURTH FLOOR
14TH AND CHAPLINE STREETS
P. O. BOX 180
WHEELING, W. VA. 26003-0080
(304) 233-0000
FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 628
PARKERSBURG, W. VA. 26102-0628
(304) 422-6483
FACSIMILE (304) 422-6482

WRITER'S DIRECT DIAL NUMBER

Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service
Internal Revenue Service Center
Philadelphia, Pennsylvania 19255

Ladies and Gentlemen:

Enclosed herewith is a completed and executed Internal Revenue Service Form 8038-G and a file copy thereof with regard to the above-captioned issue. Please file the original form in the appropriate Internal Revenue Service records and return the copy marked in red as the "File Copy" to me (after acknowledging receipt of the same) in the enclosed self-addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,

Francesca Tan

Francesca Tan

Enclosure

Copy of letter with enclosure to:

Mr. Walt Sebert

Samme L. Gee, Esquire

8038.LTR

067740/96003

| | | | |
|--|--|---|-------------------------------|
| Part I Reporting Authority | | If Amended Return, check here <input type="checkbox"/> | |
| 1 Issuer's name BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT | | 2 Issuer's employer identification number 55 0625031 | |
| 3 Number and street (or P.O. box if mail is not delivered to street address) Post Office Box 944 | | Room/suite | 4 Report number G19 97 - 2 |
| 5 City, town, or post office, state, and ZIP code Martinsburg, West Virginia 25401 | | 6 Date of issue 12/11/97 | |
| 7 Name of issue Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program) | | 8 CUSIP number None | |

Part II Type of Issue (check applicable box(es) and enter the issue price)

| | |
|--|----------------|
| 9 <input type="checkbox"/> Education (attach schedule-see instructions) | 9 \$ |
| 10 <input type="checkbox"/> Health and hospital (attach schedule-see instructions) | 10 |
| 11 <input type="checkbox"/> Transportation | 11 |
| 12 <input type="checkbox"/> Public safety | 12 |
| 13 <input checked="" type="checkbox"/> Environment (including sewage bonds) | 13 \$1,250,000 |
| 14 <input type="checkbox"/> Housing | 14 |
| 15 <input type="checkbox"/> Utilities | 15 |
| 16 <input type="checkbox"/> Other. Describe (see instructions) ▶ | 16 |
| 17 If obligations are tax or other revenue anticipation bonds, check box <input type="checkbox"/> | |
| 18 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/> | |

Part III Description of Obligations

| | (a) Maturity date | (b) Interest rate | (c) Issue price | (d) Stated redemption price at maturity | (e) Weighted average maturity | (f) Yield | (g) Net interest cost |
|-------------------|----------------------|----------------------|--------------------|--|----------------------------------|--------------|--------------------------|
| 19 Final maturity | 6/1/2018 | 2.000 % | \$18,901.79 | \$18,901.79 | | | |
| 20 Entire issue | | | \$1,250,000 | \$1,250,000 | 10.788 years | 2.005 % | 2.000 % |

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

| | | |
|---|----|-------------|
| 21 Proceeds used for accrued interest | 21 | -0- |
| 22 Issue price of entire issue (enter amount from line 20, column (c)) | 22 | \$1,250,000 |
| 23 Proceeds used for bond issuance costs (including underwriters' discount) | 23 | \$8,250 |
| 24 Proceeds used for credit enhancement | 24 | -0- |
| 25 Proceeds allocated to reasonably required reserve or replacement fund | 25 | \$75,985 |
| 26 Proceeds used to currently refund prior issues | 26 | -0- |
| 27 Proceeds used to advance refund prior issues | 27 | -0- |
| 28 Total (add lines 23 through 27) | 28 | \$84,235 |
| 29 Nonrefunding proceeds of the issue (subtract line 28 from line 22 and enter amount here) | 29 | \$1,165,765 |

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.) N/A

| | |
|--|-------------|
| 30 Enter the remaining weighted average maturity of the bonds to be currently refunded | _____ years |
| 31 Enter the remaining weighted average maturity of the bonds to be advance refunded | _____ years |
| 32 Enter the last date on which the refunded bonds will be called | _____ |
| 33 Enter the date(s) the refunded bonds were issued | _____ |

Part VI Miscellaneous

| | | |
|---|-------|-----|
| 34 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) | 34 | -0- |
| 35 Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(ii) (small issuer exception) | 35 | -0- |
| 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions) | 36a | -0- |
| b Enter the final maturity date of the guaranteed investment contract | _____ | |
| 37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units | 37a | -0- |
| b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer | _____ | |
| 38 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/> | | |
| 39 If the issuer has identified a hedge, check box <input type="checkbox"/> | | |

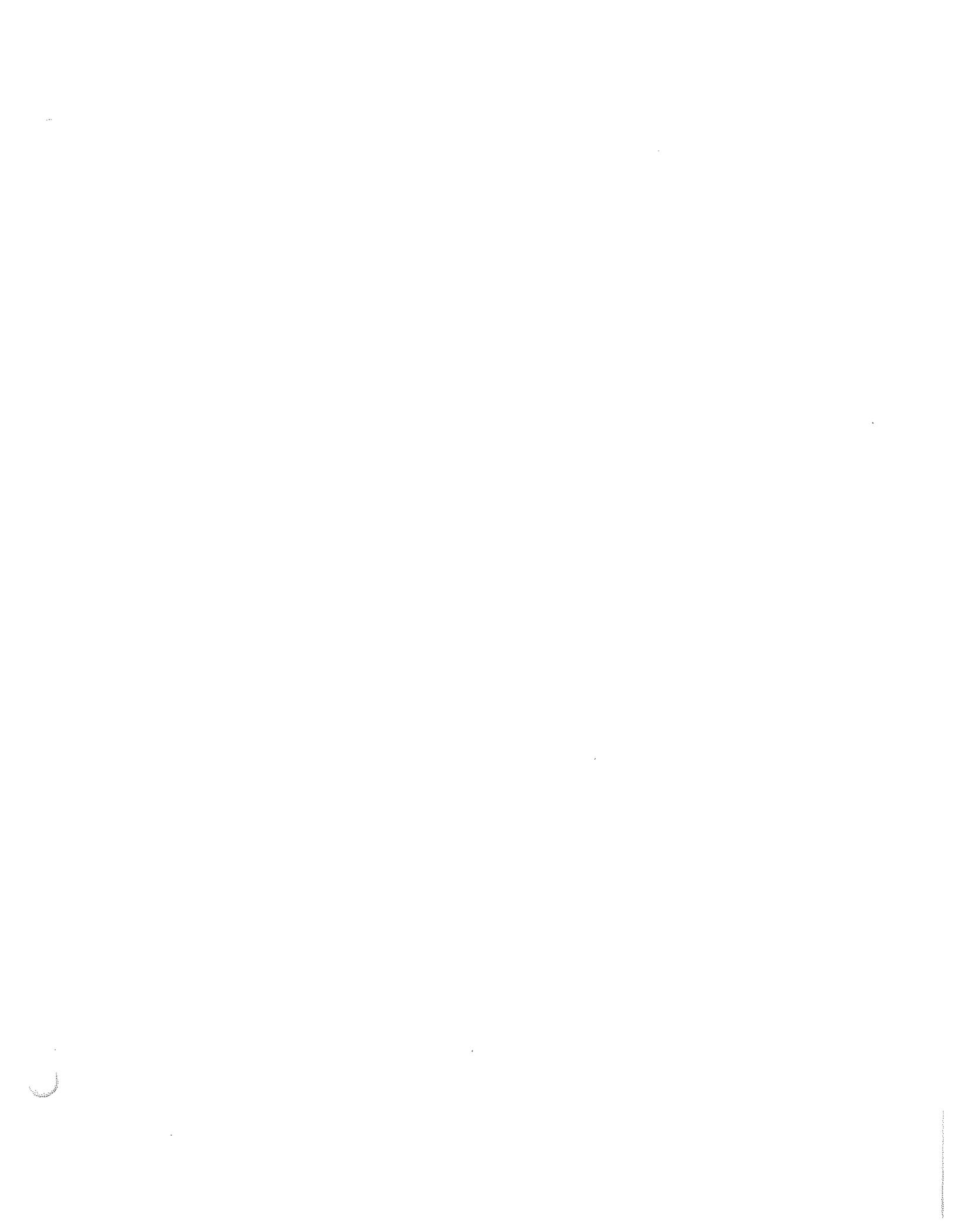
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Please Sign Here

Robert L. Grove, Sr.
Signature of issuer's authorized representative

12-11-97
Date

Robert L. Grove, Sr., Chairman
Type or print name and title



BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

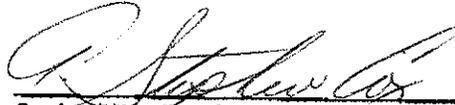
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

ONE VALLEY BANK-EAST, NATIONAL ASSOCIATION, a national 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 December 9, 1997, and a Supplemental Resolution of the Issuer adopted December 9, 1997 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated December 11, 1997, in the principal amount of \$1,250,000 (the "Bonds"), and agrees to perform all duties of Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature this 11th day of December, 1997.

ONE VALLEY BANK-EAST,
NATIONAL ASSOCIATION


Senior Vice President

11/21/97
067740/96003

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

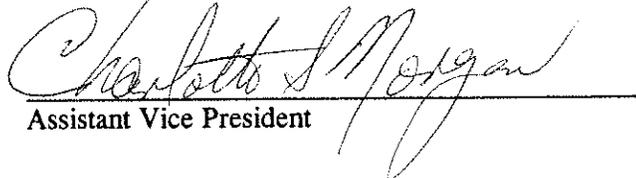
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

ACCEPTANCE OF DUTIES AS REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association in Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Berkeley County Public Service Sewer District Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), dated December 11, 1997, in the principal amount of \$1,250,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 11th day of December, 1997.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

11/21/97
067740/96003

BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT

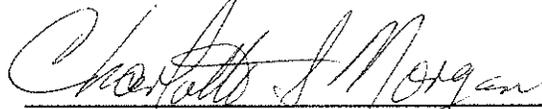
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

CERTIFICATE OF REGISTRATION OF BONDS

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association in Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), of Berkeley County Public Service Sewer District (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Berkeley County Public Service Sewer District Sewer Revenue Bond, Series 1997 B (West Virginia SRF Program), of the Issuer, dated December 11, 1997, in the principal amount of \$1,250,000, numbered BR-1, was registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of One Valley Bank, National Association, as Registrar.

WITNESS my signature on this 11th day of December, 1997.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

11/21/97
067740/96003

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 11th day of December, 1997, by and between BERKELEY COUNTY PUBLIC SERVICE SEWER DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$1,250,000 Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), in fully registered form (the "Bonds"), pursuant to a Bond Resolution of the Issuer adopted December 9, 1997, and a Supplemental Resolution of the Issuer adopted December 9, 1997 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar 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 Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, 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 Registrar 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 Registrar'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 Registrar 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 Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's 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 Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's 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 Registrar's 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 25401
Attention: Chairman

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

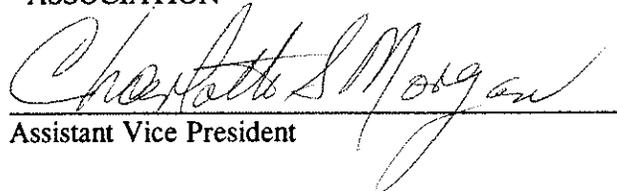
8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first written above.

BERKELEY COUNTY PUBLIC SERVICE SEWER
DISTRICT


Chairman

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

11/21/97
067740/96003

EXHIBIT A

Bond Legislation included in bond transcript as Documents No. 1 and 2

SCHEDULE OF COMPENSATION

152



DEPARTMENT OF COMMERCE, LABOR & ENVIRONMENTAL RESOURCES
DIVISION OF ENVIRONMENTAL PROTECTION

1201 Greenbrier Street
Charleston, WV 25311-1088

Gaston Caperton
Governor

John M. Ranson
Cabinet Secretary

November 29, 1994

David C. Callaghan
Director

Lakley El McCoy
Deputy Director

Walt Sebort, General Manager
Berkeley County PSSD
P.O. Box 944
Martinsburg, WV 25401

RE: WV/NPDES Water Pollution Control
Permit No. WV0020061
Baker Heights STP

Dear Mr. Sebort:

This letter serves as Modification No. 7 of your existing WV/NPDES Water Pollution Control Permit No. WV0020061 issued the 2nd day of November 1990.

After review and consideration of the information submitted with Permit Modification Application No. WV0020061-H dated the 15th day of August 1994 and the associated plans, specifications, and reports approved by the Construction Assistance Branch on the 26th day of September 1994, the subject permit is hereby modified to include the following:

The acquisition, construction, installation, operation, and maintenance of a sewage collection line extension consisting of 16,100 linear feet of 18 inch sewer line, 34,000 linear feet of eight (8) inch sewer line, 7,750 linear feet of six (6) inch sewer line, five (5) duplex lift stations, 4,000 linear feet of 12 inch force main, 2,300 linear feet of eight (8) inch force main, 2,050 linear feet of six (6) inch sewer line, 1,470 linear feet of four (4) inch force main, 162 manholes, and all necessary appurtenances.

The sewage collection line extension (known as the "Airport extension") will serve an additional 6,400 persons in the Berkeley County PSSD (Baker Heights Treatment Plant Area).

The wastewater treatment units shall be constructed in accordance with the plans, specifications and reports as submitted to and approved by the Construction Assistance Branch on the 26th day of September 1994.

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Walt Sebort, General Manager
Page 2
November 29, 1994

Also, the Berkeley County PSSD shall make no sewer connections to the Airport sewer line extension until the District completes the upgrading and expansion of the Baker Heights sewage treatment plant.

All other terms and conditions of the subject permit shall remain in effect and unchanged.

Sincerely,

OFFICE OF WATER RESOURCES

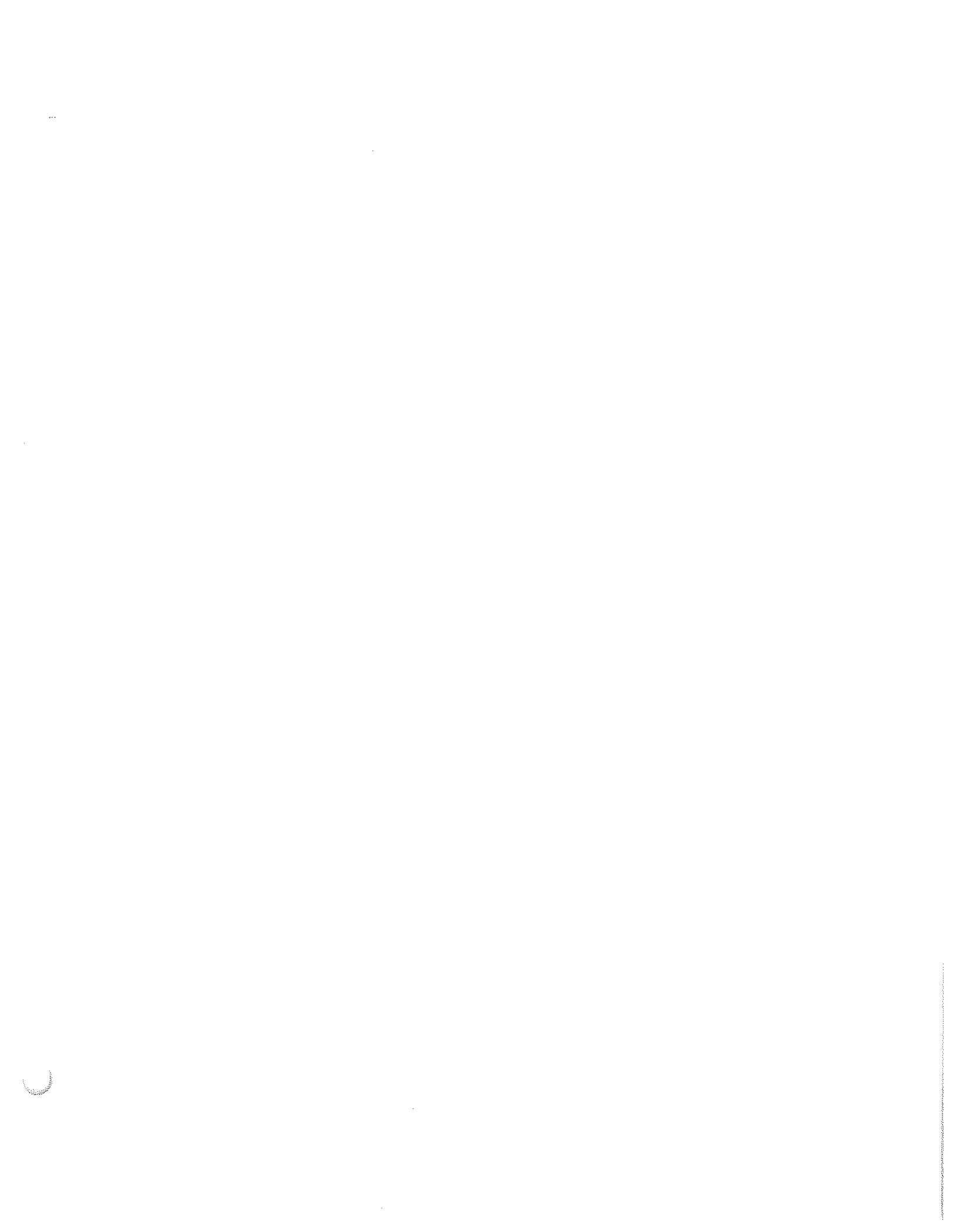


Mark A. Scott
Chief

MAS:rb

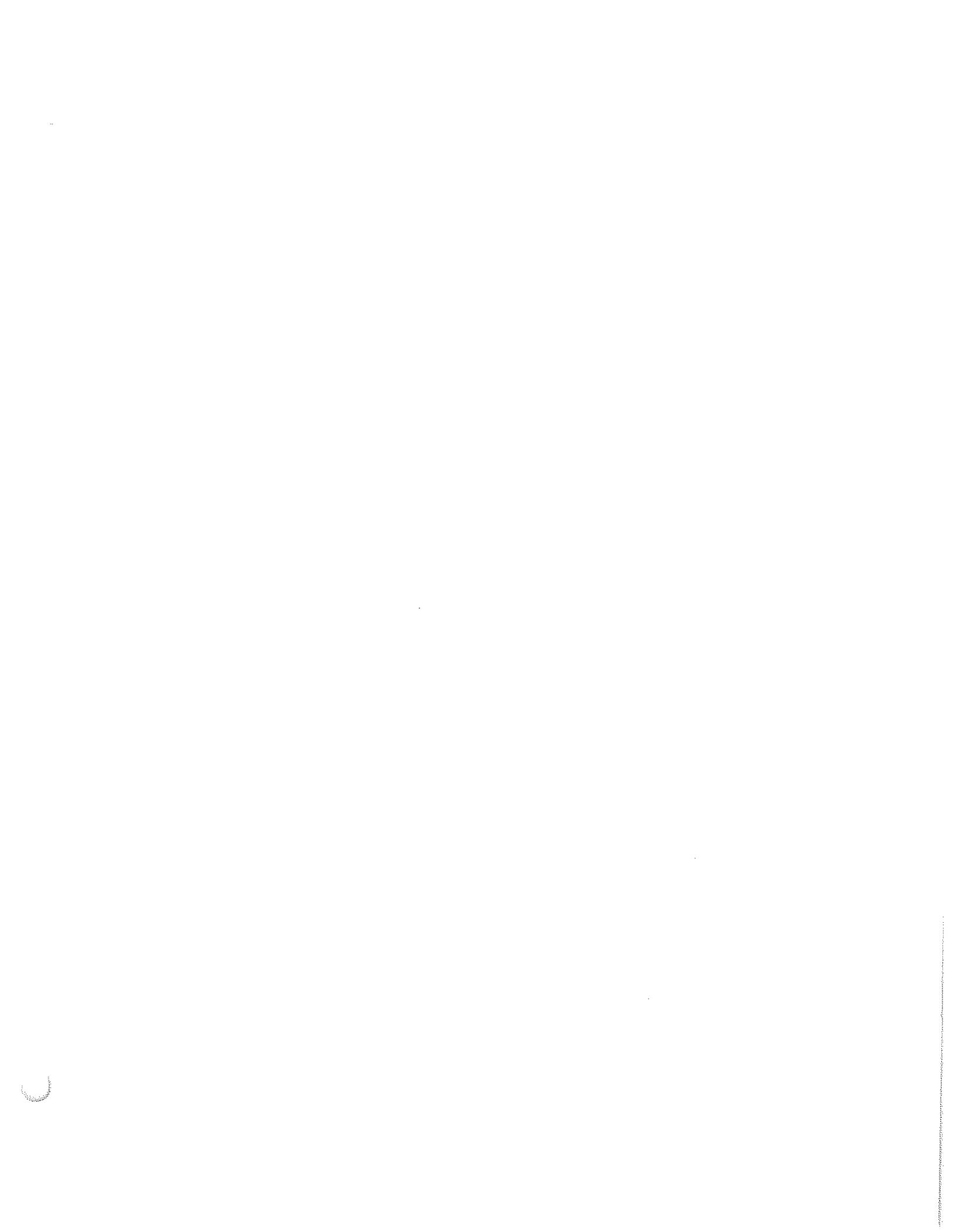














State of West Virginia
WATER DEVELOPMENT AUTHORITY

180 Association Drive
Charleston WV 25311-1571

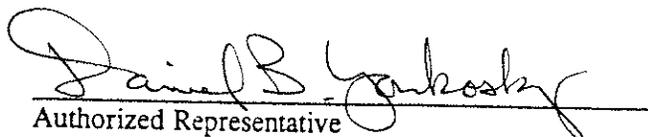
Telephone (304) 558-3612
Telecopier (304) 558-0299

December 11, 1997

Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Series 1986 B Bonds, the Series 1990 A Bonds, the Series 1990 B 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 and the Series 1997 A Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program) (the "Bonds"), in the original aggregate principal amount of \$1,250,000, 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 "Series 1986 B Bonds"), Sewer Revenue Bonds, Series 1990 A (the "Series 1990 A Bonds"), Sewer Revenue Bonds, Series 1994 A (West Virginia Water Development Authority) (the "Series 1994 A Bonds"), Sewer Revenue Bonds, Series 1994 C (West Virginia SRF Program) (the "Series 1994 C Bonds"), Sewer Revenue Bonds, Series 1995 A (West Virginia SRF Program) (the "Series 1995 A Bonds"), Sewer Revenue Bonds, Series 1995 B (West Virginia SRF Program) (the "Series 1995 B Bonds"), Sewer Revenue Bonds, Series 1996 A (West Virginia SRF Program) (the "Series 1996 A Bonds"), Sewer Revenue Bonds, Series 1996 B (West Virginia SRF Program) (the "Series 1996 B Bonds"), Sewer Revenue Bonds, Series 1996 C (West Virginia SRF Program) (the "Series 1996 C Bonds"), and Sewer Revenue Bonds, Series 1997 A (West Virginia SRF Program) (the "Series 1997 A 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 "Series 1990 B Bonds").


Authorized Representative



State of West Virginia
WATER DEVELOPMENT AUTHORITY

180 Association Drive
Charleston WV 25311-1571

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

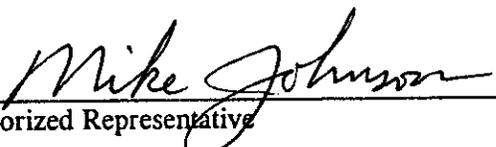
August 4, 1998

Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

TO WHOM IT MAY CONCERN:

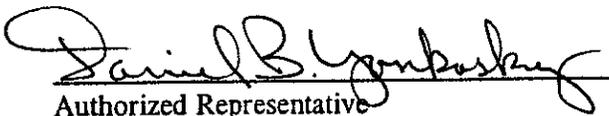
The undersigned duly authorized representatives for the West Virginia Division of Environmental Protection and the West Virginia Water Development Authority, as lender and registered owner, respectively, of the entire outstanding aggregate principal amount of the Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program) (the "Bonds"), of Berkeley County Public Service Sewer District (the "Issuer"), hereby jointly consent to the deferral of the commencement date for payment of the interest on and principal of the Bonds and the maturity date of the Bonds, all as set forth in the Supplemental Resolution of the Issuer to be adopted on August 4, 1998.

WEST VIRGINIA DIVISION OF
ENVIRONMENTAL PROTECTION



Authorized Representative

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY



Authorized Representative

07/23/98
067740/96003



▼
One Valley Bank
P.O. Box 847
Martinsburg, WV 25401
(304) 263-8944

December 11, 1997

**ONE VALLEY
BANK**

Berkeley County Public Service Sewer District
Sewer Revenue Bonds, Series 1997 B
(West Virginia SRF Program)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative for One Valley Bank-East, National Association the registered owner of the entire outstanding aggregate principal amount of the Series 1986 C Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program) (the "Bonds"), in the original aggregate principal amount of \$1,250,000, 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 C (the "Series 1986 C Bonds").



Senior Vice President

11/21/97
067740/96003

**Berkeley County
Public Service Sewer District**

P.O. Box 944
Martinsburg, WV 25402



Phone (304) 263-8566
Fax (304) 267-7478

November 24, 1997

West Virginia Housing Development Fund
Attention: Executive Director
814 Virginia Street East
Charleston, West Virginia 25301

Dear Executive Director:

As required under Section 4.4 (e) (iii) of the Loan Agreement, dated December 1, 1994 (the "Loan Agreement"), by and between the West Virginia Housing Development Fund (the "Fund") and Berkeley County Public Service Sewer District (the "District"), notice is hereby given that the District will issue its Sewer Revenue Bonds, Series 1997 B (West Virginia SRF Program), on December 11, 1997, which will be payable from net revenues of the System and will rank senior and prior to the District's Sewer Revenue Bonds, Series 1994 B (the "Series 1994 B Bonds"), held by the Fund, with respect to liens, pledge and source of and security for payment. No event of default or no event which, with the passage of time or the giving of notice or both, may become an event of default under the Loan Agreement or the resolution authorizing the Series B Bonds, or under any loan agreement or resolution authorizing any outstanding bond or obligation of the District, or any previously approved prior or parity indebtedness, or any other agreements or commitments with respect thereto, has occurred and is continuing. The District has made or will make all the deposits into the Series 1994 B Bonds Repayment Account as and when due in accordance with Section 4.2 of the Loan Agreement.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "Robert L. Grove, SR".

Robert L. Grove, SR
Chairman

Copy of letter to:

Michael Johnson, P.E.
Mr. Daniel B. Yonkosky
Samme L. Gee, Esquire
Vincent A. Collins, Esquire
John C. Kunkle, CPA