KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, 2001 A

Date of Closing: September 13, 2001

BOND TRANSCRIPT

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$1,130,000
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

Date of Closing: September 13, 2001

BOND TRANSCRIPT

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KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

SEWER REFUNDING REVENUE BONDS, SERIES 2001 A

BOND RESOLUTION

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KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1986 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $1,300,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, Kingmill Valley Public Service District (the "Issuer") presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds, of which there are presently outstanding (i) the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, issued in the original aggregate principal amount of $1,008,657, of which $925,076 is presently outstanding (the "Series 1986 A Bonds"); (ii) Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, issued in the original aggregate principal amount of $81,343 (the "Series 1986 B Bonds"); and (iii) Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority) dated June 15, 1999, issued in the original aggregate principal amount of $183,200 (the "Series 1999 A Bonds").

WHEREAS, the Series 1986 A Bonds were issued pursuant to a resolution of the Issuer duly adopted on June 10, 1986, as supplemented by a resolution of the Issuer duly adopted on June 10, 1986 (collectively, the "1986 Resolution");

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any part of the outstanding Series 1986 A Bonds;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Series 1986 A Bonds;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Series 1986 A Bonds in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, Series 2001 A" (the "Series 2001 A Bonds"), in the maximum aggregate principal amount of not more than $1,300,000, and other moneys of the Issuer; and

WHEREAS, the Issuer now desires to authorize the refunding of the Series 1986 A Bonds as aforesaid, and to provide for the financing thereof by the issuance of the Series 2001 A Bonds as hereinafter provided;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

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

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 2001 A Bonds.

"Authority" means the West Virginia Water Development Authority, the original purchaser of the Series 1986 A Bonds, the Series 1986 B Bonds and the Series 1999 A Bonds, or its successor.

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

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

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

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

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

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

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing

Date in the following year, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2001 A Bonds, Series 1986 B Bonds, Series 1999 A Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

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

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2001 A Bonds, in substantially the form set forth in EXHIBIT A - BOND FORM hereto.

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

"Closing Date" means the date upon which there is an exchange of the Series 2001 A Bonds for the proceeds representing the original purchase price thereof.

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

"Construction Fund" means the Construction Fund created by Section 4.01 hereof.

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

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, the costs of refunding the Series 1986 A Bonds (which amount shall reflect the Independent Certified Public Accountant's determination of the Redemption Price of the Series 1986 A Bonds), interest accruing or to accrue thereon, redemption premiums, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, expenses for fiscal or other agents, legal expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 2001 A Bonds and the refunding of the Series 1986 A Bonds.

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

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

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

"DTC-eligible" means, with respect to the Series 2001 A Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

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

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

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

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

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

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

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

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

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by a Bond Insurer simultaneously with the delivery of the Series 2001 A Bonds, insuring the payment of the principal of and interest on all or any of the Series 2001 A Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2001 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2001 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2001 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 2001 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2001 A Bonds.

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

"Original Purchaser" means Ferris, Baker Watts, Incorporated, Charleston, West Virginia, as the purchasers of the Series 2001 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2001 A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 2001 A Bonds directly from the Issuer, as determined by

a resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2001 A Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Issuer at the time of approval of such sale of said Series 2001 A Bonds.

"Outstanding," when used with reference to the Series 2001 A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as a Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or other entity designated as such for the Series 2001 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 hereof.

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

"Purchase Price," for the purpose of computation of the Yield of the Series 2001 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2001 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Series 2001 A Bonds of each maturity is sold or, if the Series 2001 A Bonds are privately placed, the price paid by the first buyer of the Series 2001 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2001 A Bonds for acquisition thereof, or if later, on the date

that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2001 A Bonds.

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

"Record Date" means the day of the month which shall be so stated in the Series 2001 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

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

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2001 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the 1986 Resolution and continued hereby.

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

"1986 Resolution" means, collectively, the resolution and the supplemental resolution of the Issuer duly adopted June 10, 1986, authorizing the Series 1986 A Bonds and the Series 1986 B Bonds.

"1999 Resolution" means the resolution and the supplemental resolution of the Issuer duly adopted June 14, 1999, authorizing the Series 1999 A Bonds.

"Revenue Fund" means the Revenue Fund created by the 1986 Resolution and continued hereby.

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

"Series 1986 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, issued in the original aggregate principal amount of $1,008,657.

"Series 1986 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, issued in the original aggregate principal amount of $81,343.

"Series 1999 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1999 A, dated June 15, 1999, issued in the original aggregate principal amount of $183,200.

"Series 2001 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2001 A, of the Issuer, originally authorized to be issued pursuant to this Resolution.

"Series 2001 A Bonds Redemption Account" means the Series 2001 A Bonds Redemption Account created by Section 4.02 hereof.

"Series 2001 A Bonds Reserve Account" means the Series 2001 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 2001 A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 2001 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2001 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2001 A Bonds.

"Series 2001 A Bonds Sinking Fund" means the Series 2001 A Bonds Sinking Fund created by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution to be adopted by the Issuer following adoption of this Resolution, setting forth the final amounts, maturities, interest rates and other terms of the Series 2001 A Bonds and authorizing the sale of the Series 2001 A Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

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

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

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

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

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

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

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

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

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

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

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed in part by the proceeds of the Series 1986 A Bonds, the Series 1986 B Bonds and the Series 1999 A Bonds.

C. The Issuer derives revenues from the System which are pledged for payment of the Series 1986 A Bonds, the Series 1986 B Bonds and the Series 1999 A Bonds. Except for such pledge thereof, said revenues are not pledged or encumbered in any manner.

D. The Issuer intends to refund the Series 1986 A Bonds in their entirety with proceeds of the Series 2001 A Bonds and other funds of the Issuer, to issue the Series 2001 A Bonds and to pledge the Net Revenues of the System for payment thereof on a parity with the Series 1986 B Bonds and the Series 1999 A Bonds. Upon issuance and delivery of the Series 2001 A Bonds and the defeasance of the Series 1986 A Bonds, the lien position of the Series 1986 B Bonds shall become on a parity with the Series 2001 A Bonds and the Series 1999 A Bonds.

E. The Series 2001 A Bonds shall be issued on a parity with the Series 1986 B Bonds and the Series 1999 A Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the Series 1986 B Bonds and the Series 1999 A Bonds and the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A 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 2001 A Bonds, the Issuer will obtain the written consent of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds to the issuance of the Series 2001 A Bonds on a parity with the Series 1986 B Bonds and the Series 1999 A Bonds. Prior to the issuance of the Series 2001 A Bonds, the Issuer will obtain the written consent of the Holders of Series 1986 B Bonds and the Series 1999 A Bonds to the change of the lien position of the Series 1986 B Bonds. Other than the Series 1986 B Bonds and the Series 1999 A Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

F. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Series 1986 A Bonds will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Series 1986 B Bonds, the Series 1999 A Bonds and the Series 2001 A Bonds and to make all other payments provided for in this Resolution.

G. Based upon the assumed principal amount, maturity schedule and interest rates for the Series 2001 A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the Series 2001 A Bonds show a net present value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the Series 2001 A Bonds.

H. The Issuer shall not sell the Series 2001 A Bonds without setting forth in the Supplemental Resolution the determination set forth in paragraph G above, based upon the actual principal amount, maturity schedule and interest rates for the Series 2001 A Bonds, and the Issuer shall not issue the Series 2001 A Bonds without having obtained from an Independent Certified Public Accountant a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 2001 A Bonds and the net interest cost in dollars of the Series 1986 A Bonds.

I. Subject to the determination and certification required by paragraph H above, it is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2001 A Bonds and secure the Series 2001 A Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the moneys in the Series 2001 A Bonds Sinking Fund and the Series 2001 A Bonds Reserve Account, unexpended proceeds of the Series 2001 A Bonds and as further set forth herein.

J. The Series 2001 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2001 A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2001 A Bonds, will be timely done and duly performed.

L. The adoption of this Resolution, and the execution and issuance of the Series 2001 A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2001 A Bonds by those who shall own or hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Bondholders of any and all of such Series 2001 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All Series 1986 A Bonds Outstanding as of the date of issuance of the Series 2001 A Bonds are hereby ordered to be refunded, and the pledge of Net Revenues in favor of the Holders of the Series 1986 A Bonds imposed by the 1986 Resolution, the moneys in the funds and accounts created by the 1986 Resolution pledged to payment of the Series 1986 A Bonds, and any other funds pledged by the 1986 Resolution to payment of the Series 1986 A Bonds are hereby ordered terminated, discharged and released upon the payment to the Bond Commission for deposit in the Series 1986 A Bonds Sinking Fund from the proceeds of the Series 2001 A Bonds and from other moneys available therefor, of the following: (a) an amount equal to the fiscal and paying agent charges to become due and payable in connection with the Series 1986 A Bonds; and (b) an amount which will provide for the payment of the principal of and interest on the Series 1986 A Bonds, plus the premium, if any, as of October 1, 2001. Contemporaneously with the deposit of the proceeds of the Series 2001 A Bonds and other moneys into the Series 1986 A Bonds Sinking Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Series 1986 A Bonds shall be released from the lien created by the 1986 Resolution and deposited, to the extent not already deposited therein, in the Series 1986 A Bonds Sinking Fund, the Series 2001 A Bonds Reserve Account or such other fund or account as shall be set forth in the Supplemental Resolution and invested as provided therein.

ARTICLE III

THE BONDS

Section 3.01. Form and Payment of Bonds. No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the Series 2001 A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

The principal of and the premium, if any, on the Series 2001 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

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

Section 3.02. Execution of Bonds. The Series 2001 A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the 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 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 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2001 A Bonds, shall have been duly manually executed by the Registrar. Any such manually 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 Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2001 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said 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, 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 any of the Series 2001 A Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2001 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2001 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

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

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

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2001 A Bonds Redemption Account in accordance

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

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

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

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the Series 2001 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2001 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2001 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory

Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2001 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, the Original Purchaser and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2001 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 2001 A Bonds shall also be sent to registered securities depositories.

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

(1) The Redemption Date;

(2) The Redemption Price;

(3) If less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar; and

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

If funds sufficient to redeem all Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such moneys with the Paying Agent on or before the Redemption Date. If such moneys

are not so deposited, the Registrar shall notify all holders of Bonds called for redemption of such fact.

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

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

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

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Resolution. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Authorization of Bonds. For the purposes of paying a portion of the costs of refunding all of the Series 1986 A Bonds of the Issuer, funding the Series 2001 A Bonds Reserve Account paying costs in connection therewith and paying

certain costs of acquisition and construction of certain improvements and additions to the System, there shall be issued the Series 2001 A Bonds of the Issuer, in an aggregate principal amount of not more than $1,300,000. The Series 2001 A Bonds shall be designated "Sewer Refunding Revenue Bonds, Series 2001 A" and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any year of maturity, not exceeding the aggregate principal amount of Series 2001 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2001 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2001 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Bonds. A. The Series 2001 A Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2001 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2001 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2001 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2001 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2001 A Bond or any other evidence of ownership of the Series 2001 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2001 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2001 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Resolution, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2001 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2001 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Resolution. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2001 A Bonds to the extent of the sum or sums

so paid. In the event of the redemption of less than all of the Series 2001 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2001 A Bonds so redeemed, but DTC may return such Series 2001 A Bonds and make an appropriate notation on the Series 2001 A Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2001 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2001 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2001 A Bonds, selecting the Series 2001 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of Series 2001 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2001 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2001 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2001 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Resolution, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2001 A Bonds or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2001 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2001 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2001 A Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 2001 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2001 A Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the Series 2001 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2001 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the Series 2001 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2001 A Bonds to the Original Purchaser;

(C) Copies of this Resolution and the Supplemental Resolution certified by the Secretary;

(D) The unqualified approving opinion upon the Series 2001 A Bonds by Bond Counsel; and

(E) A copy of such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive Series 2001 A Bonds shall be in substantially the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2001 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2001 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the Series 2001 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 2001 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2001 A Bonds Sinking Fund and applied to payment of interest on the Series 2001 A Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 2001 A Bonds which, together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Series 1986 A Bonds (which amount shall

be set forth in the Supplemental Resolution) shall be deposited in the Series 1986 A Bonds Sinking Fund.

C. An amount of the proceeds of the Series 2001 A Bonds equal to the Series 2001 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2001 A Bonds Reserve Account; provided that, to the extent the Series 2001 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, proceeds of the Series 2001 A Bonds shall be deposited in the Series 2001 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2001 A Bonds Reserve Requirement.

D. An amount of the proceeds of the Series 2001 A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2001 A Bonds and miscellaneous costs of refunding the Series 1986 A Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2001 A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

E. The balance of any proceeds of the Series 2001 A Bonds and any moneys in any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, not used for any of the purposes set forth above, shall be deposited in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay the costs of acquisition and construction of certain improvements and extensions to the System (the "Project"). All such costs of the Project shall be paid within 6 months of the Closing Date. Moneys not to be applied immediately to pay such costs of the Project may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2001 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2001 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than $10,000,000 aggregate principal amount of obligations the interest on

which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Series 2001 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2001.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

(1) Revenue Fund (established by the 1986 Resolution);

(2) Renewal and Replacement Fund (established by the 1986 Resolution);

(3) Construction Fund;

(4) Costs of Issuance Fund; and

(5) Rebate Fund.

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

(1) Series 1986 A Bonds Sinking Fund (established by the 1986 Resolution);

(2) Series 1986 B Bonds Sinking Fund (established by the 1986 Resolution);

(3) Within the Series 1986 B Bonds Sinking Fund, the Series 1986 B Bonds Reserve Account (established by the 1986 Resolution);

(4) Series 1999 A Bonds Sinking Fund (established by the 1999 Resolution);

(5) Within the Series 1999 A Bonds Sinking Fund, the Series 1999 A Bonds Reserve Account (established by the 1999 Resolution);

(6) Series 2001 A Bonds Sinking Fund;

(7) Within the Series 2001 A Bonds Sinking Fund, the Series 2001 A Bonds Reserve Account; and

(8) Within the Series 2001 A Bonds Sinking Fund; the Series 2001 A Bonds Redemption Account.

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

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

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1986 B Bonds Sinking Fund, the amounts required by the 1986 Resolution to pay the interest, if any, on and the principal of the Series 1986 B Bonds; (ii) for deposit in the Series 1999 A Bonds Sinking Fund, the amounts required by the 1999 Resolution to pay the interest, if any, on and the principal of the Series 1999 A Bonds; (iii) commencing 6 months prior to the first interest payment date on the Series 2001 A Bonds, for deposit in the Series 2001 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2001 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2001 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2001 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2001 A

Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2001 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2001 A Bonds Sinking Fund; and (iv) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2001 A Bonds, for deposit in the Series 2001 A Bonds Sinking Fund, and in the Series 2001 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2001 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2001 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2001 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1986 B Bonds Reserve Account the amount required by the 1986 Resolution; (ii) for deposit in the Series 1999 A Bonds Reserve Account the amount required by the 1999 Resolution; and (iii) for deposit in the Series 2001 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2001 A Bonds Reserve Account below the Series 2001 A Bonds Reserve Requirement or any withdrawal from the Series 2001 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2001 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2001 A Bonds Reserve Account is less than the Series 2001 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2001 A Bonds Reserve Account for deposit into the Series

2001 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2001 A Bonds Reserve Account to an amount equal to the Series 2001 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2001 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2001 A Bonds Reserve Requirement.

(4) The Issuer shall next, from the moneys remaining in the Revenue Fund (as previously set forth in the 1986 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2001 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2001 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2001 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2001 A Bonds when due, when amounts in the Series 2001 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the Series 2001 A Bonds Sinking Fund or the Series 2001 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2001 A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2001 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2001 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the Series 2001 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the Series 2001 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2001 A Bonds Reserve Requirement from the first Net Revenues available after all required payments have been made in full in the order set forth above.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 1986 B Bonds, the Series 1999 A Bonds and the Series 2001 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2001 A Bonds Sinking Fund and the Series 2001 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

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

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

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

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

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

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

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

(A) Qualified Investments acquired for the Series 2001 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to semiannually transfer from the Series 2001 A Bonds Reserve Account to the Series 2001 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefor; provided, however, that there shall at all times remain on deposit in the Series 2001 A Bonds Reserve Account an amount at least equal to the Series 2001 A Bonds Reserve Requirement.

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

the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2001 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2001 A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefor, the Bond Insurer, if any, shall be notified immediately of such deficiency, such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2001 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2001 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2001 A Bonds in such manner and to such extent as may be necessary, so that the Series 2001 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2001 A Bonds) so that the interest on the Series 2001 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2001 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2001 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations,

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

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect, with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes.

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

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2001 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Series 2001 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2001 A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2001 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the moneys in the Series 2001 A Bonds Sinking Fund and the Series 2001 A Bonds Reserve Account therein, and the unexpended proceeds of the Series 2001 A Bonds, all as herein provided. No Holder or Holders of the Series 2001 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2001 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Parity Pledge of Net Revenues and Moneys in Sinking Fund. The payment of the debt service of all of the Series 2001 A Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 2001 A Bonds herein authorized, and to make the payments into the Series 2001 A Bonds Sinking Fund, including the Series 2001 A Bonds Reserve Account therein, and all other payments provided for in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the interest on and principal of the Series 2001 A Bonds herein authorized as the same become due and for the other purposes provided in this Resolution.

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

created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2001 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2001 A Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

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

Section 6.06. Sale of the System. So long as the Series 1986 B Bonds and the Series 1999 A 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 resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds. Additionally, so long as the Series 2001 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2001 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2001 A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 2001 A Bonds. Any balance remaining after the payment of the Series 2001 A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. 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 2001 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2001 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2001 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2001 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2001 A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds and Subordinate Debt. So long as the Series 1986 B Bonds and the Series 1999 A Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds 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 2001 A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2001 A Bonds.

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

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

(1) The Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such

additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountant, as stated in a certificate signed by such Independent Certified Public Accountant, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2001 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2001 A Bonds.

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

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

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

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

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

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

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

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

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

F. FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other

funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

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

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

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

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit

to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

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

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

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

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

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System.

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

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

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and

adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser, the Bond Insurer, if any, and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

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

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

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2001 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to

be valid and binding, shall take effect immediately upon delivery of the Series 2001 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds.

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

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2001 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2001 A Bonds during the term thereof is, under the terms of the Series 2001 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2001 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2001 A Bonds during the term thereof is, under the terms of the Series 2001 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2001 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2001 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2001 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2001 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2001 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2001 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.18 Municipal Bond Insurance Policy. The Issuer may apply for a Municipal Bond Insurance Policy for the Series 2001 A Bonds. In the event a Municipal Bond Insurance Policy is obtained, additional covenants and provisions of the Issuer may be required by the Bond Insurer as a condition to insuring the Series 2001 A Bonds. These additional covenants and provisions shall be set forth in a Supplemental Resolution, shall apply to the Series 2001 A Bonds, and shall be controlling in the event any other provisions of this Resolution may be in conflict therewith.

Section 6.19. Merger, Consolidation or Acquisition of Issuer. The Issuer may, without the consent of the holders of the Series 2001 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2001 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the Issuer first obtains a written statement by an Independent Certified Public Accountant that the merged, consolidated or acquiring entity will, immediately following such merger, consolidation or acquisition, satisfy the test for the issuance of additional parity bonds set forth in Section 6.08 hereof.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2001 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2001 A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or any Supplemental Resolution or in the Series 2001 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Bond Insurer;

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

(D) If default occurs with respect to the Series 1986 B Bonds and the Series 1999 A Bonds or the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds.

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

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

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

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

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to

require the Issuer to perform its duties under the Act and this Resolution;

(C) Bring suit upon the Bonds;

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

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

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2001 A Bonds shall be on a parity with those of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds.

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

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

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

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

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

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

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

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

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

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2001 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Series 2001 A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2001 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2001 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

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

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

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2001 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2001 A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2001 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Series 2001 A Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2001 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2001 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Series 2001 A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

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

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

Section 8.11. Adoption of Authentication. In case any of the Series 2001 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Series 2001 A Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

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

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

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

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

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

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

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

Section 9.01. Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2001 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2001 A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes.

The Series 2001 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the Series 2001 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2001 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the Series 2001 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2001 A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 2001 A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on the Series 2001 A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Supplemental Resolution.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Resolution. Prior to issuance of the Series 2001 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of the Resolution, shall be controlling. Following issuance of the Series 2001 A Bonds, this Resolution and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. In the event any of the Series 2001 A Bonds are insured, no such amendment or modification which adversely affects the security for such Series 2001 A Bonds or the rights of any Bond Insurer for such Series 2001 A Bonds may be effected without the written consent of such Bond Insurer. No materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2001 A Bonds then Outstanding and affected thereby and such Bond Insurer, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2001 A Bond without the express written consent of the Holder of each Series 2001 A Bond so affected, nor reduce the percentage of Series 2001 A Bonds required for consent to any such modification or amendment.

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

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

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

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

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

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

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

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

or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such moneys will be returned to the Issuer, in an Authorized Newspaper.

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

ISSUER

Kingmill Valley Public Service District
P. O. Box 265
Fairmont, West Virginia 26555-0265
Attention: Chairman

REGISTRAR AND PAYING AGENT

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

DEPOSITORY BANK

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

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
100 Laidley Tower
Charleston, West Virginia 25301

BOND INSURER

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

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

Section 10.07. No Personal Liability. No member of the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution.

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

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2001 A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2001 A Bonds and the Original Purchaser.

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

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds, the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds shall control, unless less restrictive, so long as the Series 1986 B Bonds and the Series 1999 A Bonds are Outstanding.

Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

Adopted this 6th day of September, 2001.

Betty V Waggoner
Chairman

William L Fleming
Member

John G Conaway
Member

CH469142.1

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Kingmill Valley Public Service District on the 6th day of September, 2001.

Dated this 13th day of September, 2001.

[SEAL]

Secretary

09/06/01
483960.00001

EXHIBIT A - BOND FORM

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

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BOND,
SERIES 2001 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said

Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 199___ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

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

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated "Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____ 1, 2001, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, of the Issuer outstanding in the total aggregate principal amount of $_____ (the "Series 1986 A Bonds"), which were issued to finance the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; (iii) to pay certain costs of issuance of the Bonds and related costs; and (iv) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on September _____, 2001, and supplemented by a supplemental resolution duly

adopted by the Issuer on September ___, 2001 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH 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:

(i) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1999 A, DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS").

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

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

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, are subject to mandatory sinking fund redemption prior to maturing on _____ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

_____ Bonds Maturing _____

Year (___) Principal Amount

_____ Bonds Maturing _____

Year (___) Principal Amount

_____ Bonds Maturing _____

Year (___) Principal Amount

_____ Bonds Maturing _____

Year (___) Principal Amount

_____ Bonds Maturing _____

Year (___) Principal Amount

_____

* Final Maturity

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

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

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

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds and the Series 1999 A Bonds, and from moneys in the reserve account created under the Resolution for the Bonds (the "Series 2001 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2001 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1986 A Bonds, fund a reserve account for the Bonds, pay costs of acquisition and construction of certain additions, betterments and improvements to the System and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such 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 in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

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

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

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

[SEAL]

(Manual or Facsimile Signature)
Chairman

ATTEST:

(Manual or Facsimile Signature)
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: _____, _____.

_____,
as Registrar

By _____
Its Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____

_____ the within Bond and does hereby irrevocably constitute and appoint _____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

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

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A PREPAYMENT AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

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

WHEREAS, the Governing Body duly adopted on September 6, 2001, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1986 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $1,300,000, THE PROCEEDS OF WHICH

SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

WHEREAS, the Resolution provided for the refunding of the Issuer's Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986 (the "Series 1986 A Bonds"), and issuance of its Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"), in an aggregate principal amount not to exceed $1,300,000, for the purposes of paying a portion of the costs of such refunding, funding all or a portion of a reserve account for the Series 2001 A Bonds, paying costs of acquisition and construction of additions, betterments and improvements to the System, and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2001 A Bonds should be established, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Prepayment Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2001 A Bonds be provided for by a supplemental resolution of the Governing Body upon receipt of a Bond Purchase Agreement acceptable to the Governing Body;

WHEREAS, the Series 2001 A Bonds are proposed to be purchased by Ferris, Baker Watts, Incorporated (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, dated the date of adoption hereof (the "Bond Purchase Agreement");

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted, that the Bond Purchase Agreement, the Continuing Disclosure

Agreement, the Prepayment Agreement and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Series 2001 A Bonds, hereinafter described, be approved, that the dates, amounts, maturities, interest rates, redemption provisions, purchase price and other details of the Series 2001 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2001 A Bonds be herein provided for, all in accordance with the Resolution;

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2001 A Bonds. The Series 2001 A Bonds shall be dated September 1, 2001, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable semiannually on April 1 and October 1 of each year, commencing April 1, 2002, shall mature on October 1 in such years, and shall have such redemption provisions and other terms as are set forth in EXHIBIT A - SERIES 2001 A BOND TERMS, attached hereto and incorporated by reference herein. All other provisions relating to the Series 2001 A Bonds shall be as provided in the Resolution, and the Series 2001 A Bonds shall be in substantially the form provided in the Resolution.

Section 2. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, dated the date of adoption of this Supplemental Resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Bond Purchase Agreement by the Chairman shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2001 A Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 2001 A Bonds, pursuant to the Bond Purchase Agreement, shall be $1,096,100 (par amount of $1,130,000, less Underwriter's Discount of $33,900), plus interest accrued from the date of the Series 2001 A Bonds to the date of delivery of the Series 2001 A Bonds, expected to be on or about September 13, 2001.

Section 3. The Prepayment Agreement by and between the West Virginia Municipal Bond Commission and the Issuer, dated the date of delivery of the Series 2001 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Prepayment Agreement with such changes, insertions and omissions as may be approved by the Chairman. The

execution of the Prepayment Agreement by the Chairman shall be conclusive evidence of any approval required by this Section

Section 4. The Issuer does hereby approve the transfer of $105,512.55 from the Series 1986 A Bonds Reserve Account, held by the West Virginia Municipal Bond Commission, to the Series 1986 A Bonds Sinking Fund to provide sufficient funds to defease the Series 1986 A Bonds.

Section 5. The Continuing Disclosure Agreement by and between the Issuer and the Original Purchaser, to be dated as of the date of delivery of the Series 2001 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Continuing Disclosure Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 6. The Official Statement dated the date of adoption of this Supplemental Resolution, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Chairman), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Chairman shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated August 28, 2001 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Chairman is hereby ratified and approved.

Section 7. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Series 2001 A Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 8. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 2001 A Bonds.

Section 9. The Issuer does hereby appoint and designate United National Bank, Charleston, West Virginia, for the purpose of serving in the capacity of Registrar and Wesbanco Bank Wheeling, Inc., Wheeling, West Virginia, as Depository Bank.

Section 10. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

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

REGISTRAR

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

PAYING AGENT

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

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301
Attention: Public Finance

Section 12. Based upon the actual principal amount, maturity schedule and interest rates for the Series 2001 A Bonds, as set forth in EXHIBIT A - SERIES 2001 A BOND TERMS, attached hereto, it is hereby determined that the Series 2001 A Bonds show a net savings to the Issuer after deducting all expenses of the refunding. Prior to delivery of the Series 2001 A Bonds, the Issuer shall have obtained from Gary K. Bennett, CPA or such other independent certified public accountant acceptable to the Chairman, a certification that the amount of savings stated to be achieved by the refunding shall in fact be correct, based upon their review, comparison and analysis of the total net debt service in dollars of the Series 2001 A Bonds and the remaining total net debt service in dollars of the Series 1986 A Bonds. The Chairman is hereby authorized and directed to employ Gary K. Bennett, CPA, Fairmont, West Virginia, or such other independent certified public accountant satisfactory to Bond Counsel, to supply the certification required herein and to take other actions required in connection with the refunding.

Section 13. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 2001 A Bond issue to the end that the Series 2001 A Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 14. This Supplemental Resolution shall be effective immediately.

Adopted this 6th day of September, 2001.

Chairman

Member

Member

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of KINGMILL VALLEY PUBLIC SERVICE DISTRICT on the 6th day of September,2001.

Dated this 13th day of September, 2001.

[SEAL]

William R Thing

Secretary

09/06/01
063490.00002

CH469930.1

EXHIBIT A - SERIES 2001 A BOND TERMS

TERM BONDS

Bond No.	CUSIP	Maturity Date	Principal Amount	Interest Rate	Price or Yield
AR-1	49579KAB9	October 1, 2016	$520,000	5.80%	100%
AR-2	49579KAA1	October 1, 2025	$610,000	6.10%	100%

OPTIONAL REDEMPTION

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2001 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

MANDATORY SINKING FUND REDEMPTION

The Series 2001 A Bonds maturing on October 1, 2016 and 2025 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption, plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Principal Amount
2002	$ 20,000.000
2003	$ 25,000.000
2004	$ 25,000.000
2005	$ 25,000.000
2006	$ 30,000.000
2007	$ 30,000.000
2008	$ 30,000.000
2009	$ 35,000.000
2010	$ 35,000.000
2011	$ 40,000.000
2012	$ 40,000.000
2013	$ 40,000.000
2014	$ 45,000.000
2015	$ 50,000.000
2016**	$ 50,000.000

Series 2001 A Bonds Maturing October 1, 2025

Year	Principal Amount
2017	$ 55,000.00
2018	$ 55,000.00
2019	$ 60,000.00
2020	$ 65,000.00
2021	$ 65,000.00
2022	$ 70,000.00
2023	$ 75,000.00
2024	$ 80,000.00
2025**	$ 85,000.00

** Final maturity

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned, Marie L. Prezioso, Senior Vice President of Ferris, Baker Watts, Incorporated (the "Underwriter"), for and on behalf of the Underwriter, and the Chairman of Kingmill Valley Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 13th day of September, 2001, in New York, New York, the Underwriter received the entire original issue of $1,130,000 in aggregate principal amount of the Kingmill Valley Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds"). The Bonds, as so received on original issuance, are in various denominations, are dated September 1, 2001, and are numbered from AR-1 upward in order of maturity, and are registered in the name of "CEDE & CO."

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

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

Par Amount	$1,130,000.00
Less: Underwriter's Discount	33,900.00
Plus: Accrued Interest (September 1, 2001 to September 13, 2001)	2,245.67
Total	$1,098,345.67

Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of $1,098,345.67.

WITNESS our respective signatures this 13th day of September, 2001.

FERRIS, BAKER WATTS, INCORPORATED

By: _____
Its: Senior Vice President

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

09/08/01
483960.00001

CH472521.1

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

United National Bank, as Registrar
Charleston, West Virginia

Ladies and Gentlemen:

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

1. Bonds Nos. AR-1 through AR-2, inclusive, constituting the entire original issue of the Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A, dated September 1, 2001, in the aggregate principal amount of $1,130,000 (the "Bonds"), executed by the Chairman and Secretary of Kingmill Valley Public Service District (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to a Resolution adopted by the Issuer on September 6, 2001, as supplemented by a Supplemental Resolution adopted by the Issuer on September 6, 2001 (collectively, the "Resolution").

2. Copies of the Resolution, certified by the Secretary of the Issuer.

3. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.

4. A signed, unqualified approving opinion of Steptoe & Johnson PLLC, as bond counsel.

You are hereby requested and authorized, pursuant to Section 3.12 of the Resolution, to authenticate, register and deliver the Bonds to The Depository Trust Company, New York, New York, for the account of Ferris, Baker Watts, Incorporated, as the original purchaser thereof.

Dated this 13th day of September, 2001.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: Betty V Waggoner
Chairman

09/07/01
483960.00001

CH469953.1

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

No. AR-1 **SPECIMEN** $520,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BOND,
SERIES 2001 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
5.800%	October 1, 2016	September 1, 2001	49579KAB9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED TWENTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning April 1, 2002 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on

such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each April 1 and October 1) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United National Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $1,130,000 designated "Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated September 1, 2001, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, of the Issuer outstanding in the total aggregate principal amount of $934,946 (the "Series 1986 A Bonds"), which were issued to finance the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; (iii) to pay certain costs of issuance of the Bonds and related costs; and (iv) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on September 6, 2001, and supplemented by a supplemental resolution duly adopted by the Issuer on September 6, 2001 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH 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:

(i) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1999 A, DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS").

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

(A) Optional Redemption

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2001 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

(B) Mandatory Sinking Fund Redemption

The Series 2001 A Bonds maturing on October 1, 2016 and 2025 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption, plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Principal Amount
2002	$ 20,000.000
2003	$ 25,000.000
2004	$ 25,000.000
2005	$ 25,000.000
2006	$ 30,000.000

Year	Principal Amount
2007	$ 30,000.000
2008	$ 30,000.000
2009	$ 35,000.000
2010	$ 35,000.000
2011	$ 40,000.000
2012	$ 40,000.000
2013	$ 40,000.000
2014	$ 45,000.000
2015	$ 50,000.000
2016**	$ 50,000.000

Series 2001 A Bonds Maturing October 1, 2025

Year	Principal Amount
2017	$ 55,000.00
2018	$ 55,000.00
2019	$ 60,000.00
2020	$ 65,000.00
2021	$ 65,000.00
2022	$ 70,000.00
2023	$ 75,000.00
2024	$ 80,000.00
2025**	$ 85,000.00

** Final maturity

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

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

default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

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

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds and the Series 1999 A Bonds, and from moneys in the reserve account created under the Resolution for the Bonds (the "Series 2001 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2001 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1986 A Bonds, fund a reserve account for the Bonds, pay costs of acquisition and construction of certain additions, betterments and improvements to the System and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such 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 in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

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

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

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

[SEAL]

Chairman

SPECIMEN

ATTEST:

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: September 13, 2001.

UNITED NATIONAL BANK, as Registrar

By _____
Its Authorized Officer

SPECIMEN

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____

_____ the within Bond and does hereby irrevocably constitute and appoint _____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

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

483960/00001

CH472677.1

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

No. AR-2

SPECIMEN

$610,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BOND,
SERIES 2001 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.
6.100%	October 1, 2025	September 1, 2001	49579KAA1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIX HUNDRED TEN THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Marion County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on April 1 and October 1, in each year, beginning April 1, 2002 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on

such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each April 1 and October 1) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United National Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $1,130,000 designated "Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated September 1, 2001, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, of the Issuer outstanding in the total aggregate principal amount of $934,946 (the "Series 1986 A Bonds"), which were issued to finance the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; (iii) to pay certain costs of issuance of the Bonds and related costs; and (iv) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on September 6, 2001, and supplemented by a supplemental resolution duly adopted by the Issuer on September 6, 2001 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

THIS BOND IS ISSUED ON A PARITY WITH 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:

(i) SEWER REVENUE BONDS, SERIES 1986 B, DATED JUNE 12, 1986, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $81,343 (THE "SERIES 1986 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1999 A, DATED JUNE 15, 1999, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $183,200 (THE "SERIES 1999 A BONDS").

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

(A) Optional Redemption

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2001 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

(B) Mandatory Sinking Fund Redemption

The Series 2001 A Bonds maturing on October 1, 2016 and 2025 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption, plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Principal Amount
2002	$ 20,000.000
2003	$ 25,000.000
2004	$ 25,000.000
2005	$ 25,000.000
2006	$ 30,000.000

Year	Principal Amount
2007	$ 30,000.000
2008	$ 30,000.000
2009	$ 35,000.000
2010	$ 35,000.000
2011	$ 40,000.000
2012	$ 40,000.000
2013	$ 40,000.000
2014	$ 45,000.000
2015	$ 50,000.000
2016**	$ 50,000.000

Series 2001 A Bonds Maturing October 1, 2025

Year	Principal Amount
2017	$ 55,000.00
2018	$ 55,000.00
2019	$ 60,000.00
2020	$ 65,000.00
2021	$ 65,000.00
2022	$ 70,000.00
2023	$ 75,000.00
2024	$ 80,000.00
2025**	$ 85,000.00

** Final maturity

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

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

default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

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

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1986 B Bonds and the Series 1999 A Bonds, and from moneys in the reserve account created under the Resolution for the Bonds (the "Series 2001 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2001 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Series 1986 B Bonds and the Series 1999 A Bonds.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1986 A Bonds, fund a reserve account for the Bonds, pay costs of acquisition and construction of certain additions, betterments and improvements to the System and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such 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 in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

This Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

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

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

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

[SEAL]

Chairman

SPECIMEN

ATTEST:

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: September 13, 2001.

UNITED NATIONAL BANK, as Registrar

By _____
Its Authorized Officer

SPECIMEN

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____

_____ the within Bond and does hereby irrevocably constitute and appoint _____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

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

483960/00001

CH472678.1

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 4th day of September, 2001.

CASE NO. 01-1104-PSD-PC

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Petition for consent and approval to enable the District to borrow funds to enable the District to redeem its Series A Bonds.

COMMISSION ORDER

On August 17, 2001, the Kingmill Valley Public Service District (District) filed a Petition for Consent and Approval of Borrowing, for the Commission to Retain this Matter, and for Expedited Treatment. The District explained that its current outstanding debt consists of the following bonds or loans issued on the terms indicated:

Issue	Issuer	Principal	Interest Rate
Series 1986 A Bonds	WDA[1]	$1,008,657.00	9.750%
Series 1986 B Bonds	WDA	$ 81,343.00	0%
Series 1999 A Bonds	WDA	$ 183,200.00	5.8%

The District further explained that it recently found out that it could redeem the Series 1986 A Bonds, which bear an interest rate significantly higher than the current market rate. The District stated that redemption requires the payment of (1) the outstanding principal of the Series 1986 A Bonds as of October 1, 2002 ($925,076.00); (2) a 2% redemption premium, totaling $20,800.00 and (3) an allocation from the WDA of an additional $114,924.00 in bond principal, for a total defeasance requirement of

[1] "WDA" stands for the West Virginia Water Development Authority.

$1,060,800. The District stated that it would pay the $55,448.62 of the issuer's scheduled principal and interest payment due October 1, 2001, from its general fund.

In order to refund the Series 1986 A Bonds, the District proposes to issue its Sewer Refunding Revenue Bonds, Series 2001 (Series 2001 Refunding Bonds). The District asserted that it needs to deposit the amount of the prepayment with the Municipal Bond Commission by September 14, 2001, and that if it misses this date, it will not have another opportunity to redeem its Series 1986 A Bonds for another ten years.

The District stated it intends to both draw upon any remaining funds held in the Revenue or Reserve Fund of the Series 1986 A Bonds and to issue the Series 2001 Refunding Bonds. The Series 2001 Refunding Bonds will be issued in an amount not to exceed $1,300,000.00 for a term not to exceed the term of the Series 1986 A Bonds (24 years) and at an interest rate not to exceed 7.5%. The District asserted that this will result in a net present value benefit of $110,443.20.

The District stated that it will (1) obtain verification from a certified public accountant stating that the amount of the Series 2001 Refunding Bonds will be sufficient to fully refund the Series 1986 A Bonds; (2) obtain an opinion of Bond Counsel; and (3) meet any other requirements of the WDA in order to defease the Series 1986 A Bonds. The District further stated that the Series 2001 Refunding Bonds will be issued on a parity with the District's outstanding first-lien bonds currently held by the WDA, pursuant to its consent, and senior and prior to the District's outstanding second-lien bonds.

The District stated that the refunding of the Series 1986 A Bonds will reduce the District's debt service. The District further stated that it must have an order from the Commission by September 4, 2001, in order to enable the parties involved to undertake other necessary actions prior to the September 14, 2001, WDA deadline.

On August 27, 2001, Staff filed an Initial and Final Joint Staff Memorandum in which it noted that the District's annual debt service payments on its Series A Bonds are $101,027. Staff stated that the following information should be provided by the District before approval is granted by the Commission: (1) A copy of the District's resolution and/or a copy of the District's board minutes providing for and approving the issuance of the bonds necessary to defease the current Series A Bonds (see W. Va. Code § 16-13A-13); and (2) the cost to the District above the redemption amounts which would include bond counsel and other fees. Staff further stated that the District should be required to reduce any amount borrowed to defease its Series 1986 A Bonds by any amounts on deposit in its revenue and/or reserve funds as indicated by the work papers accompanying its petition. Technical Staff stated that the District currently has a debt service reserve of $105,513 and a renewal and replacement reserve of $48,957. The Staff Attorney asserted

Public Service Commission
of West Virginia
Charleston

that these amounts should be reflected as an offset to the total amount borrowed. The Staff Attorney further stated that since time is of the essence and since the District will save approximately $7,347 per year by defeasing its Series 1986 A Bonds, she does not recommend that the public be provided notice of the District's borrowing.

On August 28, 2001, the District filed the information requested by Staff. The District provided a copy of the bond resolution which will be presented to the Public Service Board of the District at a special meeting scheduled for September 6, 2001, at 4:00 p.m. The District explained that because the sale of the bonds will not be concluded until September 6, 2001, the bond resolution will not be adopted until that date. The District also provided the following breakdown of the costs of issuance:

Bond Counsel Fee	$20,000.00
Underwriter's Counsel Fee	$15,000.00
Issuer's Counsel Fee	$ 2,500.00
Accountant's Fee	$ 4,000.00
Registrar's Fee	$ 1,500.00
Printing Costs	$ 2,000.00
TOTAL	$45,000.00

DISCUSSION

The Commission finds that the District has not provided a copy of the District's resolution and/or a copy of the District's board minutes providing for and approving the issuance of the bonds necessary to defease the current Series A bonds as requested by Staff. Thus, while the Commission concludes it is reasonable to grant the District consent and approval to refund the Series 1986 A Bonds by issuing Series 2001 Refunding Bonds pursuant to W. Va. Code § 16-13A-25, as more specifically described above, the Commission will require the District, as a condition of this approval, to file a copy of the District's resolution and/or a copy of the District's board minutes providing for and approving the issuance of the bonds necessary to defease the current Series A Bonds ten (10) days from the date of this order. The Commission also concludes that it is reasonable to direct the District to reduce any amount to be borrowed to defease its Series 1986 A Bonds by any amounts on deposit in its revenue and/or reserve funds as indicated by the work papers accompanying its petition, as recommended by Staff.

Public Service Commission
of West Virginia
Charleston

FINDINGS OF FACT

1. The District seeks consent and approval to refund its Series 1986 A Bonds by issuing Series 2001 Refunding Bonds. The District stated it intends to both draw upon any remaining funds held in the Revenue or Reserve Fund of the Series 1986 A Bonds and to issue the Series 2001 Refunding Bonds. The Series 2001 Refunding Bonds will be issued in an amount not to exceed $1,300,000.00 for a term not to exceed the term of the Series 1986 A Bonds and at an interest rate not to exceed 7.5%. The District asserted that this will result in a net present value benefit of $110,443.20. The District stated that the refunding of the Series 1986 A Bonds will reduce the District's debt service. District's petition and attachments filed August 17, 2001.

2. Staff stated that the following information should be provided by the District before approval is granted by the Commission: (1) A copy of the District's resolution and/or a copy of the District's board minutes providing for and approving the issuance of the bonds necessary to defease the current Series A bonds (see W. Va. Code § 16-13A-13); and (2) the cost to the District above the redemption amounts which would include bond counsel and other fees. Staff further stated that the District should be required to reduce any amount borrowed to defease its Series 1986 A Bonds by any amounts on deposit in its revenue and/or reserve funds as indicated by the work papers accompanying its petition. Technical Staff stated that the District currently has a debt service reserve of $105,513 and a renewal and replacement reserve of $48,957. The Staff Attorney asserted that these amounts should be reflected as an offset to the total amount borrowed. The Staff Attorney further stated that since time is of the essence and since the District will save approximately $7,347 per year by defeasing its Series 1986 A Bonds, she does not recommend that the public be provided notice of the District's borrowing. Initial and Final Joint Staff Memorandum filed August 27, 2001.

3. The District provided a copy of the bond resolution which will be presented to the Public Service Board of the District at a special meeting scheduled for September 6, 2001, at 4:00 p.m. The District explained that because the sale of the bonds will not be concluded until September 6, 2001, the bond resolution will not be adopted until that date. The District also provided the following breakdown of the costs of issuance:

Bond Counsel Fee	$20,000.00
Underwriter's Counsel Fee	$15,000.00
Issuer's Counsel Fee	$ 2,500.00
Accountant's Fee	$ 4,000.00
Registrar's Fee	$ 1,500.00
Printing Costs	$ 2,000.00
TOTAL	$45,000.00

District's letter and attachments filed August 28, 2001.

CONCLUSIONS OF LAW

1. While the Commission concludes it is reasonable to grant the District consent and approval to refund the Series 1986 A Bonds by issuing Series 2001 Refunding Bonds pursuant to W. Va. Code § 16-13A-25, as more specifically described above, the Commission will require, as a condition to this approval, the District to file within ten (10) days of the date of this order a copy of the District's resolution and/or a copy of the District's board minutes providing for and approving the issuance of the bonds necessary to defease the current Series A bonds.

2. The Commission also concludes that it is reasonable to direct the District to reduce any amount to be borrowed to defease its Series 1986 A Bonds by any amounts on deposit in its revenue and/or reserve funds as indicated by the work papers accompanying its petition, as recommended by Staff.

ORDER

IT IS, THEREFORE, ORDERED that the Kingmill Valley Public Service District's petition for consent and approval to refund the Series 1986 A Bonds by issuing Series 2001 Refunding Bonds, as more specifically described above, is hereby approved. However, as a condition to this approval, the District must file within ten (10) days of the date of this order, a copy of the District's resolution and/or a copy of the District's board minutes providing for and approving the issuance of the bonds necessary to defease the current Series A bonds.

IT IS FURTHER ORDERED that the Kingmill Valley Public Service District reduce any amount to be borrowed to defease its Series 1986 A Bonds by any amounts on deposit in its revenue and/or reserve funds as indicated by the work papers accompanying its petition.

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

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

LJA/ljm
011104c.wpd

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

Public Service Commission
of West Virginia
Charleston

IN RE: ORDER FIXING A DATE FOR HEARING ON THE CREATION OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT, FOR SEWERAGE SERVICE.

On this 4th day of ~~April~~ MAY, 1966, at a regular session of the Court came Harry R. Cronin, Jr., Attorney-at-Law, represe ing a group of legal voters and real property owners residing within Union District, Marion County, West Virginia, and present a petition signed by _____ residents who are legal voters and property owners of the above described area and moved the Court to fix a date for hearing on the creation of the proposed public service district.

Upon consideration whereof the Court is of opinion that a hearing should be held and it is ORDERED, ADJUDGED and DECREED that a hearing be held to consider the creation of the proposed public service district, on ~~May~~ JUNE 7th, 1966, at 10:00 o'clock A. M. DST, in the office of the County Court of Marion County. It is further ordered that this Court publish a notice as provided by law fixing the date of hearing.

Enter this 4th day of ~~April~~ MAY, 1966.

John L. Gizee

John M. Ondreko

Clyde J. Wright

County Commissioners
of Marion County,
West Virginia

CRONIN AND CRONIN
ATTORNEYS AT LAW
SUITE 203
MC CRORY BUILDING
FAIRMONT, WEST VA.

Friday Morning
June 8, 1973

Court sat in regular session pursuant to its adjournment of yesterday. Present: Jess Borowski, President: and Betty Gill, Commissioner, two of the Commissioners of the said Court.

The proceeding of yesterday were read in open Court and approved.

Frank Mascara, Prosecuting Attorney, gave his approval for the Marion County Court to sign the Kingmill Valley Public Service District order that should have been entered May 4, 1966, creating the district, but is to be entered now for then. Harry R. Cronin, Jr., attorney for the Kingmill Valley Public Service District, was also present.

COURT ORDER

At 10:00 o'clock A. M. on May 27th, 1966, the full court being present, met to hold a public hearing on the matters presented in the petition for the creation of a Public Service District for sewerage purposes pursuant to duly published notice and properly posted notices of such hearing. Several interested citizens who reside in the Pleasant Valley area of Union District in this county attended this hearing. The Court proceeded to hear the statements of those persons present both for and against the proposed creation of said Public Service District. All of those persons presenting evidence to this Court appeared to be in favor of the creation of this sewerage service district and no arguments were presented by any person heard against the creation of this proposed Public Service District.

The Court upon consideration of the matters presented in the petition and upon consideration of all of the statements made by those persons present at the hearing is of the opinion to and does hereby create a Public Service District for sewerage services to be known as Kingmill Valley Public Service District and to be located in Union District, Marion County, West Virginia, as shown on the map attached to the petition and more particularly bounded and described as follows:

Beginning at the intersection of the center lines of Robinson Run and the Tygart Valley River and running thence down the river with its center line 22,000 feet more or less to the corporation line of the City of Fairmont; thence down the said river with the said corporation line 8,000 feet more or less to the intersection of the said center line and City line with the extended line of the South bank of the West Fork River; thence with the said extended line of the said West Fork River in a southeasterly direction 400 feet more or less to its intersection with the East bank of the Monongahela River; thence with said East bank of the Monongahela River and the City limit line of the City of Fairmont down the river 5,000 feet more or less to a point where said corporation line leaves the said river bank; thence with the said City of Fairmont corporation line S. 54° 30' E. 3,800 feet more or less to a corner; thence leaving the said City of Fairmont and running by an arbitrary line across Union District S. 20° 00' E. 5,000 feet more or less to a point in the center line of Robinson Run; thence down the said run with its center line in a southerly direction 6,000 feet more or less to the beginning. The area described lies within Union District, Marion County, West Virginia, and contains Five (5) square miles more or less.

From and after the date of this order said Public Service District shall have all of the authority vested in Public Service Districts in accordance with the provisions of Chapter 16, Article 13A, Section 3 of the Official Code of West Virginia and any subsequent amendment thereto and shall be a public corporation and political subdivision of this State with power of perpetual succession.

Enter: as May 27, 1966 this 12th day of April, 1973

/s/ Jess Borowski, President

/s/ Betty Gill

County Court of Marion County,
West Virginia

Box 186
Idamay, W. Va.
April 29, 1973

IN THE COUNTY COURT OF MARION COUNTY, WEST VIRGINIA

COURT ORDER

At 10:00 o'clock A. M. on May 27th, 1966, the full court being present, met to hold a public hearing on the matters presented in the petition for the creation of a Public Service District for sewerage purposes pursuant to duly published notice and properly posted notices of such hearing. Several interested citizens who reside in the Pleasant Valley area of Union District in this county attended this hearing. The Court proceeded to hear the statements of those persons present both for and against the proposed creation of said Public Service District. All of those persons presenting evidence to this Court appeared to be in favor of the creation of this sewerage service district and no arguments were presented by any person heard against the creation of this proposed Public Service District.

The Court upon consideration of the matters presented in the petition and upon consideration of all of the statements made by those persons present at the hearing is of the opinion to and does hereby create a Public Service District for sewerage services to be known as Kingmill Valley Public Service District and to be located in Union District, Marion County, West Virginia, as shown on the map attached to the petition and more particularly bounded and described as follows:

Beginning at the intersection of the center lines of Robinson Run and the Tygart Valley River and running thence down the river with its center line 22,000 feet more or less to the corporation line of the City of Fairmont; thence down the said river with the said corporation line 8,000 feet more or less to the intersection of the said center line and City line with the

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ATTORNEYS AT LAW
SUITE 203
MC CRORY BUILDING
FAIRMONT, WEST VA.

extended line of the South bank of the West Fork River; thence with the said extended line of the said West Fork River in a southeasterly direction 400 feet more or less to its intersection with the East bank of the Monongahela River; thence with said East bank of the Monongahela River and the City limit line of the City of Fairmont down the river 5,000 feet more or less to a point where the said corporation line leaves the said river bank; thence with the said City of Fairmont corporation line S. 54° 30' E. 3,800 feet more or less to a corner; thence leaving the said City of Fairmont and running by an arbitrary line across Union District S. 20° 00' E. 5,000 feet more or less to a point in the center line of Robinson Run; thence down the said run with its center line in a southerly direction 6,000 feet more or less to the beginning. The area described lies within Union District, Marion County, West Virginia, and contains Five (5) square miles more or less.

From and after the date of this order said Public Service District shall have all of the authority vested in Public Service Districts in accordance with the provisions of Chapter 16, Article 13A, Section 3 of the Official Code of West Virginia and any subsequent amendment thereto and shall be a public corporation and political subdivision of this State with power of perpetual succession.

ENTER: As May 27, 1966 this
12th day of April, 1973.

Jesse Barnes Pres.

Betty Gill
County Court of Marion County,
West Virginia

CRONIN AND CRONIN
ATTORNEYS AT LAW
SUITE 203
MC CRORY BUILDING
FAIRMONT, WEST VA.

STATE OF WEST VIRGINIA

COUNTY OF MARION, TO-WIT:

I, JANICE COSCO, Clerk of the Marion County Commission, in the State of West Virginia, and as such Clerk, having the care and custody of the records of the Police & Fiscal matters of said Commission of said County, do hereby certify that the foregoing is a true and accurate copy of the Order creating the Kingmill Valley Public Service District, "entered as of May 27, 1966 this 12th day of April, 1973".

as the same appears of record in my office in Police & Fiscal Volume 46, at pages 472 and 473 thereof

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Commission, at the City of Fairmont, in said County and State, this 19th day of December, 1983.

Janice Cosco

Clerk of The Marion County Commission
Marion County, West Virginia.

WEDNESDAY, OCTOBER 2, 1996 - 10:00 A.M. (CONTINUED)

PURSUANT TO THE REQUEST OF ALLEN D. RETTON, VICE PRESIDENT, WESBANCO FAIRMONT (FORMERLY FIRST NATIONAL BANK IN FAIRMONT), COMMISSIONER STARCHER MOVED THAT THE PRESIDENT BE AUTHORIZED TO SIGN A RELEASE OF DEED OF TRUST MADE DECEMBER 1985 BY FAIRMONT MOTEL ASSOCIATES LIMITED PARTNERSHIP AND SECURING THE COUNTY COMMISSION, THE INDEBTEDNESS HAVING BEEN FULLY PAID AND SATISFIED. PRESIDENT ENOS SECONDED THE MOTION. THE MOTION CARRIED.

THE ADMINISTRATIVE ASSISTANT MADE A CLARIFICATION OF THE ANNOUNCEMENTS MADE AT THE PREVIOUS MEETING CONCERNING THE KINGMILL PUBLIC SERVICE DISTRICT AND OAKDALE-JOETOWN-WHETSTONE BOARD OF DIRECTORS APPOINTMENTS OR RE-APPOINTMENTS WHICH SHOULD HAVE BEEN ACTED ON AT THE COMMISSION MEETING OF SEPTEMBER 27, 1996, SINCE THE TERMS EXPIRED AS OF OCTOBER 1, 1996.

AS RECOMMENDED BY THE KINGMILL VALLEY PSD BOARD, COMMISSIONER STARCHER MOVED THAT THE MARION COUNTY COMMISSION RE-APPOINT BETTY V. WAGGONER TO THE KINGMILL VALLEY PUBLIC SERVICE DISTRICT FOR A TERM TO EXPIRE OCTOBER 1, 2002. PRESIDENT ENOS SECONDED THE MOTION. THE MOTION CARRIED.

PURSUANT TO THE RECOMMENDATION OF THE OAKDALE-JOETOWN-WHETSTONE BOARD OF DIRECTORS, COMMISSIONER STARCHER MOVED THAT MICHAEL R. SIEBER BE RE-APPOINTED TO FILL THE UNEXPIRED TERM WHICH COMMENCED ON OCTOBER 1, 1994, FOR A TERM TO EXPIRE OCTOBER 1, 1998, AND THAT EDWARD E. HILDRETH, JR. BE RE-APPOINTED TO A NEW TERM BEGINNING OCTOBER 1, 1996, TO EXPIRE OCTOBER 1, 2000. PRESIDENT ENOS SECONDED THE MOTION. THE MOTION CARRIED.

COMMISSIONER STARCHER MENTIONED THAT IT IS DIFFICULT TO FIND PERSONS WHO ARE WILLING TO TAKE THESE POSITIONS AS THEY BECOME VACANT, EVEN AFTER ADVERTISING THEM.

LET THE RECORD NOTE RECEIPT OF AUDIT REPORT OF COLFAX PUBLIC SERVICE DISTRICT DATED JUNE 30, 1996, AND RECEIVED SEPT. 27, 1996.

RALPH S. LARUE DIRECTOR, MARION COUNTY PARKS AND RECREATION COMMISSION, NOTIFIED THE COMMISSION THAT FOUR COMMISSIONERS OF MCPARC HAVE TERMS THAT WILL EXPIRE DECEMBER 31

MARION COUNTY COMMISSION
May 28, 1999 – continued

*In reference to the **Workforce Investment Act (WIA)** which replaces the old Job Training and Partnership Act (JTPA) the County Commission has been requested to send a letter to Governor Cecil Underwood in support of a five regional break-up of the State for the Workforce Investment Act instead of one office disseminating monies from Charleston.*

*Commissioner Enos moved that the County Commission be authorized to **sign a letter of support** to Governor Cecil Underwood regarding the **Workforce Investment Act**. Commissioner Sago seconded the motion. President Starcher concurred. The motion carried.*

*Commissioner Sago moved that the President be authorized to **Request for Payment** for the **Marion County 4-H Camp, Grant No. 99- 12,** in the amount of **$4,498.18** from the **Governor's Community Partnership Grant Program**. Commissioner Enos seconded the motion. President Starcher concurred. The motion carried.*

*Commissioner Enos moved that the County Commission reappoint **William L. Fleming** to the **Kingmill Public Service District**. Term will expire **October 1, 2004**. Commissioner Sago seconded the motion. President Starcher concurred.*

*✱Let the record note that the County Commission has received copies of the **Operation and Maintenance inspections** performed on the **Upper Buffalo Creek Dams**.*

✱Let the record note that the Town of Worthington has sent a letter of thanks to the County Commission for the recent donation of the 1994 Ford cruiser for the use of their local Police Department.

Commissioner Sago moved that the Marion County Commission sign the Proclamation. Commissioner Enos seconded. President Starcher concurred.

Lisa Campbell, Marion County Purchasing Director, has received five sealed bid proposals for the 2000 Ford Crown Victoria with Police Package.

1. CORWIN FORD	***$22,300.00***
2. CHENOWETH FORD	***$23,233.60***
3. STEVENS AUTO CENTER	***$20,400.00***
4. CHENOWETH FORD	***$23,316.20***
5. WILSON FORD	***$21,444.00***

Commissioner Enos moved that all bids be referred to purchasing. Commissioner Sago seconded. President Starcher concurred.

On August 18, 2000, the announcement was made that the County Commission was accepting applications for a board member of the Kingmill Valley Public Service District. The previous appointment was held by John Conaway and will expire October 1, 2000. Applications have been received for this appointment from John Conaway and Richard Mason.

Term to Expire 10-1-06

President Starcher moved that the County Commission appoint Richard Mason to the Kingmill Valley Public Service District Board. For lack of a second the motion died.

Commissioner Enos moved that the County Commission appoint John Conaway to the Kingmill Valley Public Service District Board. Commissioner Sago seconded. Motion passed.

State of West Virginia, SS.:

I, Betty Waggoner, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Kingmill Valley Public Service District

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

X Betty A. Waggoner

Subscribed and sworn to before me, Janice Cosco, Clerk and Recorder for Marion County in and for said county, this 29th day of March 19 99

Janice Cosco By Susan Garcia
Deputy Clerk

State of West Virginia, SS.:

I, John G. Conaway, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Member of the Kingmill Valley Public Service District Term to Expire October 1, 2006 to the best of my skill and judgment. So help me God.

John G. Conaway

Subscribed and sworn to before me, Janice Cosco, Clerk and Recorder of Marion County in and for said county, this 31st day of August 2001

Janice Cosco

State of West Virginia, SS.:

I, William L. Fleming, do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of West Virginia, and I further solemnly swear that I will faithfully and impartially perform the duties of the office of Member of the Kingmill Valley Public Service District

Term will expire on October 1, 2004.

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

William L Fleming

Subscribed and sworn to before me, Janice Cosco, Clerk and Recorder

in and for said county, this 9th day of

June 19 99

Janice Cosco

RULES OF PROCEDURE

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

ARTICLE I

Name and Place of Business

Section 1. Name: KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Section 2. The principal office of this Public Service District will be located at 2245 Maple Drive, Fairmont, West Virginia 26554.

Section 3. The Common Seal of the District shall consist of two concentric circles between which circles shall be inscribed Kingmill Valley Public Service 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.

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 Marion County, who shall serve for such terms as may be specified in the order of the County Commission.

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 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 of the pending termination and request the County Commission 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 _____ 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, two 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. Notice to members by letter or telephone shall be required for regular meetings. 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 three (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 to the public and news media as follows:

A. A notice shall be posted by the Secretary of the public service board of such Public Service District at the front door of the _____ County Courthouse 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 door of the Courthouse 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 of the _____ County Courthouse at least forty-eight 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 door of the Courthouse 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:

_____ PUBLIC SERVICE DISTRICT

Notice of Special Session

The public service board of _____ _____ Public Service District will meet in special session on _____, _____, 19___, at _____ __.m., E__T, 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 _____ 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 as 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 by-laws, 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.

KINGMILL VALLEY P.S. D.
P.O. BOX 265
FAIRMONT, WV 26555-0265

MINUTES OF JANUARY 8, 2001

BETTY WAGGONER
WILLIAM FLEMING
PAULA BLUMETTO
JOHN CONAWAY
EDD ABBADINI

CHAIRMAN BETTY WAGGONER CALLED THE MONTHLY MEETING OF KINGMILL VALLEY P.S.D TO ORDER.

A MOTION TO ACCEPT THE MINUTES OF THE DECEMBER MEETING AS RECEIVED WAS MADE BY HOPPY FLEMING, SECOND BY JOHN CONAWAY. MOTION CARRIED.

JIM WATKINS CALLED TO SAY HE HAD TO BE IN COURT, AND HAD NOTHING NEW TO REPORT ON THE MERGER.

EDD TOLD THE BOARD ABOUT THE PROBLEMS AT PINE LAKES AND WHAT STEPS HAD BEEN TAKEN TO GET IT PUMPING AGAIN. WE MAILED LETTERS TO ALL CUSTOMERS IN THE PINE LAKE AREA ASKING THEM TO REFRAIN FROM DUMPING ANY PLASTIC INTO THE SYSTEM.

CHIP LANE ALSO HAD PROBLEMS, MATERIAL WAS FOUND IN THE PUMP. AT ONE TIME WE HAD 4 PUMPS DOWN WITH 1 SPARE. EVERYTHING IS BACK ON LINE. DAVIS IS REPAIRING THE PUMPS.

EDD REPORTED ON THE UP-GRADE PLANS FOR THE KINGMONT STATION. KEN MORAN FROM THASHER IS GETTING VERY LITTLE COO-OPERATION FROM THE CITY OF FAIRMONT. DISCUSSION WAS HELD ABOUT GOING AHEAD WITH PLANS TO BY-PASS THE STATION. EDD WILL LOOK INTO THIS AND SEE WHAT WE CAN DO. HE WILL CHECK WITH KEN MORAN AND JIM WATKINS FOR INFORMATION. EDD WILL ALSO STOP AND TALK TO D.E.P. SEE WHAT THEY SUGGESTED.

EDD REPORTED THAT BILLING IS ON SCHEDULE. COLLECTIONS ARE UP. WE HAVE EVEN RECEIVED A PAYMENT FROM ACE ADJUSTMENTS. WE HAD ONE BANKRUPTCY, THE CUSTOMER MOVED TO GA.

BENTON'S FERRY BRIDGE WAS COVERED NEXT. EDD REPORTED THAT NOTHING WAS BEING DONE UNTIL THE PILINGS WERE IN. THE PILINGS MUST BE IN BEFORE FISHING SEADONS.

INVESTMENTS WERE DISCUSSED AND EDD SHOWED WHAT GROWTH WE HAD IN THE PAST MONTH.

EDD RENTED A SAFETY DEPOSIT BOX AND NEEDS A SECOND PERSON ON THIS ACCOUNT.

MOTION MADE BY JOHN CONAWAY, SECOND BY WILLIAM FLEMING TO PAY THE INVOICES. MOTION CARRIED. NOT ALL OF MONTHLY INVOICES ARE IN, WE WILL PAY THEM AS THEY COME IN.

ELECTION OF OFFICERS : JOHN MADE A MOTION TO MAINTAIN THE OFFICERS AS SANCTIONED LAST YEAR., SECOND BY WILLIAM FLEMING. MOTION CARRIED. BETTY WAGGONER: CHAIRMAN, JOHN CONAWAY: TREASURE, WILLIAM (HOPPY) FLEMING: SECRETARY, ARE THE OFFICERS.

JONH CONAWAY MOVED TO ADJOURN THE MEETING, SECOND BY WILLIAM FLEMING . MEETING ADJOURNED AT 5:00P.M.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS, SERIES 2001 A

MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION

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

*** *** ***

The Public Service Board of the Kingmill Valley Public Service District met in special session, pursuant to notice duly posted, on the 6th day of September, 2001, in Fairmont, West Virginia, at the hour of 4:00 p.m.

PRESENT:	Betty Waggoner	-	Chairman
	William Fleming	-	Secretary
	John Conaway	-	Treasurer
	Vince Collins, Esquire	-	Bond Counsel

ABSENT: None

Betty Waggoner, Chairman, presided, and William Fleming 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:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1986 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $1,300,000, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF

SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

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

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A PREPAYMENT AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

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

*** *** ***

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

CERTIFICATION

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

WITNESS my signature on this 13th day of September, 2001.

William L. Fleming

Secretary

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483960/00001

CH472692.1

NOTICE OF PUBLIC MEETING OF THE PUBLIC SERVICE BOARD OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT

A special meeting of the Public Service Board of Kingmill Valley Public Service District (the "district") will be held to consider for adoption the following entitled Resolution and to take such other action as necessary in relation thereto, on Thursday, September 6, 2001, at 4:00 p.m., prevailing time, at 1707 Pleasant Valley Road (basement of the Valley Volunteer Fire Department), Fairmont, Marion County, West Virginia, and at such meeting the Board shall consider and adopt such Resolution entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1986 A, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2001 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $1,300,000, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPANDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

The above-quoted title of the Resolution describes generally the contents thereof and the purposes of the Refunding Bonds contemplated thereby. The proceeds of the Refunding Bonds will be used to provide permanent financing to refund the District's Sewer Revenue Bonds, Series 1986 A, fund all or a portion of the Reserve Account for such Bonds, to pay certain costs of issuance in connection therewith and to pay certain costs of acquisition and construction of certain improvements and additions to the sewerage system of the District. The Refunding Bonds are payable solely from revenues to be derived from the ownership and operation of the sewage system of the District.

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

Dated: August 28, 2001
/s/ William Fleming
Times: August 31, 2001

1903219

AFFIDAVIT OF PUBLICATION

State of West Virginia
County of Marion, to wit:

I, Beverly A. Miller, being first duly sworn upon my oath, do dispose and say that I am Legal Clerk of the **TIMES WEST VIRGINIAN** a corporation, publisher of the newspaper entitled the **TIMES WEST VIRGINIAN** an Independent newspaper:

that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below, that such newspaper is regularly published daily except Saturday and Sunday, for at least fifty weeks during the calendar year, in the Municipality of Fairmont, Marion County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforementioned municipality and Marion County; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial or social nature, and for current happenings, announcements, miscellaneous reading matter, advertisements and other notices.

that the annexed notice of Meeting was duly published in said newspaper once day for 1 successive day (Class I), commencing with the issue of the 31 day of August, 2001, and ending with the issue of the 31 day of August, 2001, and was posted at the front door of the Marion County Courthouse on the 31 day of August, 2001; that said annexed notice was published on the following dates: August 31, 2001

and the cost of publishing said annexed notice as aforesaid was $ 36.29

Beverly A. Miller

Taken, subscribed and sworn to before me in said county this 6 day of September, 2001,

My commission expires Jan 24, 2010.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
[illegible]
Fairmont, WV 26554
My Commission Expires Jan. 24, 2010

Notary Public of Marion County, West Virginia

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW
Clarksburg Charleston Morgantown Martinsburg Wheeling Parkersburg

Bank One Center, Seventh Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoelaw.com

Writer's Contact Information

September 13, 2001

$1,130,000
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Kingmill Valley Public Service District
Fairmont, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Kingmill Valley Public Service District (West Virginia) (the "Issuer") of its $1,130,000 in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on September 6, 2001, as supplemented by a Supplemental Resolution duly adopted by the Issuer on September 6, 2001 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated September 1, 2001, upon original issuance, mature on October 1 in years and amounts and bear interest payable each April 1 and October 1, commencing October 1, 2002, as follows:

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Maturity	Amount	Interest Rate
10/01/2016	$520,000	5.800%
10/01/2025	$610,000	6.100%

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

The Resolution provides that the issue is for the purposes of paying a portion of the costs necessary to (i) current refund all of the Issuer's outstanding Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, issued in the original aggregate principal amount of $1,008,657, of which $925,076 is presently outstanding (the "Series 1986 A Bonds"); (ii) fund a reserve account for the Bonds; (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding; and (iv) pay the costs of acquisition and construction of certain additions, betterments and improvements to the System.

The Bonds have been sold to Ferris, Baker Watts, Incorporated (the "Purchaser"), pursuant to a Bond Purchase Agreement dated September 6, 2001, and accepted by the Issuer (the "Purchase Agreement").

The Series 1986 A Bonds will be defeased pursuant to a Prepayment Agreement dated the date hereof, by and between the West Virginia Municipal Bond Commission (the "Commission") and the Issuer (the "Prepayment Agreement").

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

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

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

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement, the Prepayment Agreement

and the Continuing Disclosure Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

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

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

5. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2001. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

7. The Series 1986 A Bonds have been paid within the meaning and with the effect expressed in the 1986 Resolution and the Prepayment Agreement, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1986 A Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the West Virginia Municipal Bond Commission relating to the sufficiency of the moneys on deposit in the Series 1986 A Bonds Sinking Fund to provide for the payment on October 1, 2001 of the principal of and interest on the Series 1986 A Bonds and the redemption premium as determined by the Registered Owner of the Series 1986 A Bonds.

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

9. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with the Issuer's Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, and Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), dated June 15, 1999, all in accordance with the terms of the Bonds and the Resolution.

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

We have examined the executed and authenticated Bond Nos. AR-1 and AR-2 of said issue, and in our opinion, said Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

09/08/01
483960.00001

CH469854.1

STEPTOE & JOHNSON PLLC
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Writer's Contact Information

September 13, 2001

$1,130,000
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Kingmill Valley Public Service District
Fairmont, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by Kingmill Valley Public Service District (the "District") of its $1,130,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"). In our capacity as bond counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2001 A Bonds and the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated September 6, 2001, between the District and Ferris, Baker Watts, Incorporated (the "Underwriter"), and approved by the District.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the District (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' right generally).

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

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(3) The District has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the District, and the District has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 2001 A Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "The Series 2001 A Bonds," "Security for the Series 2001 A Bonds," "Financing Plan," "Tax Matters," "Legal Matters," "Continuing Disclosure," and, if applicable, the definitions and the summary of the Resolution in Appendix D to the Official Statement (except for financial or statistical data therein as to which no opinion is hereby expressed) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 2001 A Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

STEPTOE & JOHNSON PLLC

09/07/01
483960.00001

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ATTORNEYS AT LAW
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WHEELING, WEST VIRGINIA 26003
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MEMBER OF LEX MUNDI,
THE WORLD'S LEADING ASSOCIATION
OF INDEPENDENT LAW FIRMS.

September 13, 2001

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

Re: $1,130,000 Kingmill Valley Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by Kingmill Valley Public Service District (the "District") of its Sewer Refunding Revenue Bonds, Series 2001 A, in the aggregate principal amount of $1,130,000 (the "Series 2001 A Bonds"). In connection with rendering this opinion, we have examined the Official Statement dated September 6, 2001, the Bond Purchase Agreement dated September 6, 2001 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the District dated as of the closing date (the "Undertaking"), and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the District, counsel for the District, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official

Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the Series 2001 A Bonds.

Very truly yours,

Jackson & Kelly PLLC

JAMES O. WATKINS, JR.
ATTORNEY AT LAW
SUITE 100 SECURITY BUILDING
211 ADAMS STREET
P. O. BOX 1108
FAIRMONT, WEST VIRGINIA 26555-1108

(304) 366-6202
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September 13, 2001

$1,135.00
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Kingmill Valley Public Service Sewer District
P.O. Box 265
Fairmont, West Virginia 26554

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

Ladies and Gentlemen:

I have acted as counsel for Kingmill Valley Public Service District (the "District") and have acted as such in connection with the sale of the above-referenced Series 2001 A Bonds, which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of September 6, 2001 (the "Purchase Agreement") between Ferris, Baker Watts, Incorporated (the "Underwriter") and the District. Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2001 A Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, the Constitution and the laws of the State of West Virginia, specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Resolution"), the Undertaking, the Purchase Agreement, the Preliminary Official Statement dated August 28, 2001, and the Official Statement dated September 6, 2001, with respect to the issuance and offering of the Series 2001 A Bonds (collectively, the "Official Statement") and a closing certificate of the District. Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

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

2. The District has full power and authority to consummate all transactions contemplated by the Series 2001 A Bonds, the Purchase Agreement, the Undertaking, the Prepayment Agreement and any and all other agreements relating thereto, to which the District is a party.

3. The District has duly authorized all action necessary to be taken by it or on its behalf for (i) the execution and delivery of the Undertaking, the Purchase Agreement and the Prepayment Agreement; (ii) the approval of the distribution of the Official Statement; (iii) the ratification of the actions of the District and the issuance and delivery of the Series 2001 A Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Issuer has received all orders and approvals from the Public Service Commission of West Virginia, including the Order entered on September 4, 2001 in Case No. 01-1104-PSD-PC, among other things, approving the financing. The time for appeal of the Commission Order entered September 4, 2001, has not expired prior to the date hereof. The parties have stated that they will not appeal such Order. Such Order is not subject to appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

5. The Undertaking, the Purchase Agreement and the Prepayment Agreement have been duly and validly authorized, executed and delivered by the District and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

6. The Resolution has been duly adopted at meetings of the governing body (Board) of the District which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Resolution.

7. The execution and delivery by the District of the Undertaking, the Purchase Agreement and the Prepayment Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the District or, to the best of my knowledge after diligent inquiry and review of the District's records, any agreement or other instrument to which the District is a party or by which it or its properties are bound.

8. All actions necessary to be taken by the District have been taken, and no additional approval, authorization, consent or other order of the District or any public board or body is legally required to allow the District to enter into and perform its obligations under the Purchase Agreement or as described in the Official Statement.

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

10. To the best of my knowledge, there are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the District is a party or of which any property of the District is subject, except as described in the Official Statement, which, if determined adversely to the District, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 2001 A Bonds, the Undertaking, the Purchase Agreement or the Prepayment Agreement, (ii) otherwise materially or adversely affect the ability of the District to comply with its obligations under the Purchase Agreement, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the District.

11. Based upon my experience as counsel for the District and on my review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Series 2001 A Bonds," "Security for the Series 2001 A Bonds," "The System," "Litigation," and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

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

Very truly yours,

James O. Watkins Jr.

James O. Watkins, Jr., Esquire

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

GENERAL CERTIFICATE OF ISSUER ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLIC SERVICE COMMISSION APPROVAL
5. AWARD OF BONDS; SIGNATURES
6. DELIVERY AND PAYMENT
7. CERTIFICATION OF DOCUMENTS
8. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
9. MEETINGS, ETC.
10. INCUMBENCY AND OFFICIAL NAME
11. RATES
12. DEFEASANCE OF THE SERIES 1986 A BONDS
13. OFFICIAL STATEMENT CERTIFICATION
14. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 6(c)(4) AND SECTION 6(c)(12); SUBSEQUENT EVENT
15. DESIGNATION OF REGISTRAR AND PAYING AGENT
16. IRS INFORMATION RETURN
17. SPECIMEN BONDS
18. RELIANCE
19. USE OF BOND PROCEEDS
20. COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of Kingmill Valley Public Service District, Kingmill Valley, West Virginia (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the $1,130,000 aggregate principal amount of the Kingmill Valley Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings set forth in the bond resolution of the Issuer duly adopted September 6, 2001, as supplemented by a supplemental resolution duly adopted September 6, 2001 (collectively, the "Bond Legislation"), and the Bond Purchase Agreement dated September 6, 2001 (the "Bond Purchase Agreement"), by and between the Issuer and the Underwriter.

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Bonds, or the collection of the Net Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds, nor in any manner affecting the validity or enforceability of the Bonds, the Bond Legislation, the Undertaking, the Prepayment Agreement or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Chairman, Secretary and the members of the public service board of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the issuance, sale and delivery of the Bonds or the refunding and payment of the Series 1986 A Bonds which is not set forth in the Official Statement relating to the Bonds.

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds, have been duly and timely obtained and remain in full force and effect.

4. PUBLIC SERVICE COMMISSION APPROVAL: The Public Service Commission of West Virginia has approved the issuance of the Bonds for the purpose of refunding the Series 1986 A Bonds by Commission Order entered September 4, 2001, in Case No. 01-1104-PSD-PC. The time for appeal of the Commission Order entered September 4, 2001, has not expired prior to the date hereof. The Issuer hereby certifies that it will not appeal such Order. Such Order is not subject to appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

5. AWARD OF BONDS; SIGNATURES: The Bonds were awarded to Ferris, Baker Watts, Incorporated (the "Underwriter"), upon a negotiated basis at the price of $1,096,100 (par amount of $1,130,000, less underwriter's discount of $33,900) plus accrued interest to the date of delivery of the Bonds of $2,245.67 (total of $1,098,345.67). As of the date hereof, the Bonds were duly signed by the manual signature of the Chairman

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

6. DELIVERY AND PAYMENT: The undersigned Chairman did, on the date hereof, deliver to the Underwriter, the entire issue of the Bonds, in various denominations and numbered AR-1 to AR-2, inclusive. At the time of delivery of the Bonds, there was paid to the Issuer (or others, on behalf of the Issuer) the agreed price therefor as follows:

Par Amount	$1,130,000.00
Less: Underwriter's Discount	(33,900.00)
Moneys Available from the District	105,512.55
Plus: Accrued Interest (September 1, 2001 to September 13, 2001)	2,245.67
Total	$1,203,858.22

The Issuer has approved the transfer of $105,512.55 from the Series 1986 A Bonds Reserve Account, held by the West Virginia Municipal Bond Commission, to the Series 1986 A Bonds Sinking Fund to provide sufficient funds to defease the Series 1986 A Bonds.

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

Bond Resolution

Supplemental Resolution

Public Service Commission Order

County Commission Orders Relating to Creation of District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

Certification of Gary K. Bennett, Certified Public Accountant, Regarding Debt Service Savings, Coverage Requirement and Parity Test Requirement

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

Continuing Disclosure Agreement

Preliminary Blue Sky Survey and Final Blue Sky Memoranda

Prepayment Agreement

8. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System of the Issuer since September 6, 2001. Upon defeasance of the Series 2001 A Bonds on the date hereof, there is not any indebtedness or obligation of the Issuer outstanding and unpaid or for which full and irrevocable provision for payment has not been made which has priority over or ranks on a parity with the Bonds as to the sources of and security for payment, except the Series 1986 B Bonds and the Series 1999 A Bonds described in the Official Statement. The Issuer has obtained the consent of the holders of the Series 1986 B Bonds and the Series 1999 A Bonds to the issuance of the Bonds in the lien position as set forth in the Resolution.

9. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and/or operation of the System, including without limitation the imposition of rates and charges, were authorized or adopted at meetings of the public service board of the Issuer duly and regularly called and held pursuant to the rules of procedure of the public service board of the Issuer and all applicable statutes, including without limitation Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the public service board was present and acting at all times during all such meetings. All notices required to be posted or published were duly posted and published.

10. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Kingmill Valley Public Service District" and it is a public service district

duly created by The County Commission of Marion and presently existing under the laws of, and a political subdivision and public utility of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 3 members whose names and dates of commencement and termination of current terms of office are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Betty Waggoner	10/02/96	10/01/02
William Fleming	05/28/99	10/01/04
John Conaway	10/02/00	10/01/06

The names of the duly elected, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2001 are as follows:

Chairman	-	Betty Waggoner
Secretary	-	William Fleming
Treasurer	-	John Conaway

The duly appointed and acting Counsel for the Issuer is James O. Watkins, Jr., Fairmont, West Virginia.

11. RATES: The rates for the System, as approved by the Public Service Commission of West Virginia, are in full force and effect.

12. DEFEASANCE OF THE SERIES 1986 A BONDS: The funds on deposit with the Commission pursuant to the Prepayment Agreement by and between the Issuer and the West Virginia Municipal Bond Commission, the paying agent of the Series 1986 A Bonds, dated as of the date hereof, are sufficient to fully pay the entire outstanding principal of, the redemption premium and all interest accrued on the Series 1986 A Bonds on October 1, 2001, the Redemption Date. As of the date of hereof, the Series 1986 A Bonds have been prepaid and refunded and the liens and pledges securing the Series 1986 A Bonds have been discharged and defeased.

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

14. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 6(c)(4) AND SECTION 6(c)(12); SUBSEQUENT EVENT: In addition to the

foregoing, the undersigned hereby certify, as of the date hereof, that: (i) the Issuer has duly performed all of its obligations to be performed at or prior to the Closing and that each of its representations and warranties contained in the Bond Purchase Agreement are true as of the Closing, (ii) the Issuer has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Bonds, the Bond Legislation, the Undertaking, and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to our knowledge no litigation is pending, or to our knowledge threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Bonds, the Bond Legislation or the Issuer's existence or powers or the Issuer's right to use the proceeds of the Bonds to refund the Series 2001 A Bonds, (iv) the execution, delivery, receipt and due performance of the Bonds, the Bond Legislation, the Undertaking and the other agreements contemplated by the Bond Purchase Agreement and the Official Statement under the circumstances contemplated thereby and the Issuer's compliance with the provisions thereof will not conflict with or constitute on its part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which it is subject or by which it is or may be bound, and (v) the Issuer is obligated by the Undertaking established in the Continuing Disclosure Agreement and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5).

The balances (approximately $105,512.55) in the Series 1986 A Debt Service Reserve Fund has increased since the Bond Purchase Agreement and Official Statement date ($101,027.00) due to investment earnings posted by the Bond Commission. Any excess over the total required to pay the Series 1986 A Bonds on the Redemption Date will be deposited in the Construction Fund.

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

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

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

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

19. USE OF BOND PROCEEDS: The proceeds of the Series 2001 A Bonds not used to current refund the Series 1986 A Bonds, fund a reserve account for the Series 2001 A Bonds and to pay costs of issuance of the Series 2001 A Bonds and other costs in connection with such refunding, and all moneys returned to the Issuer by the Commission from the Series 1986 A Bonds Sinking Fund and the Series 1986 A Bonds Reserve Account therein, shall be expended on capital projects of the Issuer within not more than six (6) months of September 13, 2001.

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

WITNESS our signatures and the official corporate seal of the KINGMILL VALLEY PUBLIC SERVICE DISTRICT on this 13th day of September, 2001.

[CORPORATE SEAL]

Signature	Official Title
_____	Chairman
_____	Secretary
_____	Attorney

09/08/01
483960.00001

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

TAX AND NON-ARBITRAGE CERTIFICATE

The undersigned, Chairman of Kingmill Valley Public Service District (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of the $1,130,000 Sewer Refunding Revenue Bonds, Series 2001 A, of the Issuer, dated September 1, 2001 (the "Bonds"), hereby certifies as follows, all capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution adopted by the Issuer on September 6, 2001, as supplemented (collectively, the "Resolution"), pursuant to which the Bonds are issued:

A. DEFINITIONS

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

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

(a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and

(b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(i) the earnings on the fund for the immediately preceding Bond Year; or

(ii) one-twelfth (1/12th) of the principal and interest payments on the Bonds for the immediately preceding Bond Year.

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

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

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

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

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

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

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

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

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

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

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

(d) trustee fees and registrar fees;

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

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

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

(h) costs incurred in connection with any required public approval process (e.g., publication costs for public notices generally and costs of the public hearing or voter referendum).

"**Date of Issue**" means September 13, 2001.

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

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

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

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

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

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

(iii) The yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

"**Issue Price**" means $1,130,000 being the initial offering price to the public at which price a substantial amount of the Bonds is sold, and includes accrued interest on the Bonds. For this purpose, ten percent (10%) is a substantial amount, and the term "the public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price generally is the first price at which the Bonds are sold to the public, and the issue price will not change if part of the issue is subsequently sold at a different price. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of a bond issue for which a bona fide public offering is made is determined as of the sale date based on reasonable expectations regarding the initial public offering price. The Issue Price of the Bonds may not exceed their fair market value as of the sale date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Series 2001 A Bonds**" means the Issuer's Sewer Refunding Revenue Bonds, Series 2001 A, dated September 1, 2001.

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

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

"**Transferred Proceeds of the Bonds**" means amounts that have ceased to be allocated to the Series 2001 A Bonds and are treated as Transferred Proceeds of the Bonds.

"**Underwriter**" means Ferris, Baker Watts, Incorporated, Charleston, West Virginia.

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

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

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

> (a) In the case of a plain par bond (within the meaning of section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and
>
> (b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

"**Value of an Investment**" means the value of an investment determined under section 1.148-5(d) of the Regulations. Under those Regulations, value as of any date

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

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

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

B. GENERAL

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

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

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

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on September 13, 2001, the date on which the Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

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

6. The Bonds were sold on September 13, 2001, to Ferris, Baker Watts, Incorporated (the "Underwriter") for a purchase price of $1,096,100 (par amount of $1,130,000, less underwriter's discount of $33,900) plus interest accrued thereon in the amount of $2,245.67 (total of $1,098,345.67).

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of providing moneys, together with the moneys transferred from the Series Reserve Account, necessary (i) to current refund the Series 1986 A Bonds on October 1, 2001; (ii) to fund a reserve account for the Bonds; (iii) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"); and (iv) to pay costs of issuance of the Bonds and related costs.

8. [RESERVED]

9. The face amount of the Bonds is $1,130,000. The sources and uses of proceeds of the Bonds and the moneys transferred from the Series 1986 A Bonds Sinking Fund and the Series 1986 A Bonds Reserve Account in connection with the refunding of the Series 1986 A Bonds is as follows:

Sources

Par amount of Bonds	$1,130,000.00
Accrued Interest (September 1, 2001, to September 13, 2001)	2,245,67
Transfer from Series 1986 A Bonds Reserve Account to Series 1986 A Bonds Sinking Fund	105,512.55
Total Sources	$1,237,758.22

10. The proceeds of sale of the Bonds, together with the moneys transferred from the Series 1986 A Bonds Reserve Account, will be applied as follows:

Uses of Funds

Total Underwriter's Discount	$ 33,900.00
Costs of Issuance	43,317.00
Deposit to Series 2001 A Debt Service Fund	2,245.67
Deposit to Series 2001 A Reserve Fund (DSRF)	93,010.00
Deposit to Series 1986 A Sinking Fund	$1,060,800.00
Rounding Amount	4,485.55
Total Uses	$1,237,758.22

11. The Underwriter has stated, in its certificate, a copy of which is attached as EXHIBIT A - UNDERWRITER'S CERTIFICATE hereto (the "Underwriter's Certificate") that the Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than the respective prices shown on the cover page of the Official Statement for the Bonds, including interest accrued on the Bonds from September 1, 2001. The yield on the Bonds, as so computed, has been determined to be 6.0004428%, based on a "purchase price" equal to the Issue Price for the Bonds (including accrued interest thereon).

C. DEFEASANCE

1. The Issuer has entered into a Prepayment Agreement (the "Prepayment Agreement"), dated September 13, 2001, with the West Virginia Municipal Bond Commission, as Prepayment Agent. Provision will be made for the payment of the Series 1986 A Bonds by placing into the Series 1986 A Bonds Sinking Fund $955,287.45 from the proceeds of the Series 2001 A Bonds and $105,512.55 from the Series 1986 A Bonds Reserve Account, which will provide funds sufficient to provide for the payment of the outstanding principal of and interest on, plus a redemption premium for, the Series 1986 A Bonds as they become due on October 1, 2001, being the redemption date.

D. THE BONDS

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

ii. Using the initial offering price of the Bonds as the "purchase price" and taking into account accrued interest the yield on the Bonds is computed by the Underwriter to be 6.0004428% (the "Bond Yield").

iii. A Sinking Fund for the Bonds is created under the Resolution. Moneys deposited to the Sinking Fund (other than the Reserve Account therein), including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Bonds. The Bonds all bear interest at a fixed interest rate and the average maturity of the Bonds is in excess of 5 years. The Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Bonds within each Bond Year. All moneys held in the Sinking Fund will be used to pay debt service on the Bonds. All Sale Proceeds of the Bonds deposited in the Sinking Fund will constitute accrued interest on the Bonds and will be applied to pay interest on the Bonds on the first interest payment date, being April 1, 2002. The Sinking Fund qualifies as a Bona Fide Debt Service Fund and all moneys in the Sinking Fund will be invested without restriction as to yield and are not subject to rebate.

iv. A Reserve Account within the Sinking Fund is created under the Resolution in an amount equal to the Maximum Annual Debt Service on the Bonds (the "Reserve Account Requirement"). The Reserve Account is being funded by moneys from the Series 2001 A Bonds proceeds in the amount of $93,010. The Reserve Account Requirement is equal to the maximum annual principal and interest requirements of the Bonds, is not in excess of 10% of the stated principal amount of the Bonds and is not in excess of 125% of the average annual principal and interest requirements of the Bonds. The moneys in the Reserve Account will be invested without restriction as to yield. All earnings on amounts deposited in the Reserve Account will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate.

v. A Renewal and Replacement Fund is created under the Resolution, to be funded through monthly deposits of Revenues in an amount equal to 2 1/2% of the Gross Revenues of the System. Absent an Event of Default on the Bonds, and depletion in full of the Reserve Account, the Renewal and Replacement Fund is not expected to be used for the purpose of paying Debt Service on the Bonds. Such moneys will be invested without restriction as to yield and are not subject to rebate.

vi. A Redemption Account is created under the Resolution. In the event moneys are deposited into the Redemption Account, to the extent they

are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

vii. A Costs of Issuance Fund is created under the Resolution to be funded from proceeds of the Bonds in the amount of $43,317, to pay costs of issuance of the Bonds. All such amounts shall be fully expended within 6 months from the date hereof. Pending such disbursement, such moneys will be invested without restriction as to yield and are not subject to rebate.

viii. A Construction Fund is created under the Resolution to be funded only from remaining proceeds of the Bonds to pay costs of the Project. All such amounts shall be fully expended within 6 months from the date hereof. Pending such disbursement, such moneys will be invested without restriction as to yield and are not subject to rebate. Work with respect to the acquisition and construction of the Project will commence shortly and will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within 6 months. All proceeds of the Bonds designated for the Project will be expended within 6 months from the date of issuance thereof. The Project will be operated solely for a public purpose as a local governmental activity of the Issuer. The Issuer expects no part of the Project financed by proceeds of the Bonds will be sold or otherwise disposed of prior to the last maturity date of the Bonds. None of the proceeds of the Bonds will be used to reimburse the Issuer for costs of the Project previously incurred and paid by the Issuer with its own funds.

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

ix. Other than the funds and accounts described above, there are no other funds or accounts of the Issuer which (i) are reasonably expected to be

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

x. Accrued interest with respect to the Bonds in an amount less than 6 month's interest on the Bonds will be applied within one year from the date hereof toward the payment of interest first due on the Bonds, as detailed in the Schedules. Pending such disbursement, such monies will be invested without restriction as to yield.

E. REBATE OF EXCESS ARBITRAGE

1. Rebate Fund; Calculation of Rebate Amount.

(a) Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Bond Yield, together with any income attributable to such excess. Except as provided below, and as previously set forth as excepted in Section D hereof, the Sinking Fund, the Reserve Account therein, the Costs of Issuance Fund and all other funds or accounts treated as containing Gross Proceeds are subject to this requirement.

(b) Pursuant to the Resolution, the Issuer has created the Rebate Fund to be held by the Depository Bank. On or before 45 days following each Computation Date, an amount shall be deposited into the Rebate Fund by the Issuer so that the balance held in the Rebate Fund shall equal the aggregate Rebate Amount due as of the Rebate Payment Date following such Computation Date. Moneys so deposited shall be derived from the Issuer's own funds.

(c) To meet the rebate requirements of Section 148(f) of the Code, the Issuer (or the Rebate Analyst described in Section E(3) hereof) agrees and covenants to take the following actions:

(i) For each investment of (i) amounts held in the Reserve Account, (ii) Transferred Proceeds of the Bonds, and (iii) any other moneys held by the Issuer which constitute Gross Proceeds, the Issuer shall record the purchase date of such investment, its purchase price, accrued interest due on its purchase date, its face amount, its coupon rate, the frequency of its interest payment, its disposition price, accrued interest due on its disposition date and its disposition date.

(ii) For each Installment Computation Date with respect to Rebate Amounts specified in paragraph (iii) below, the Issuer shall compute the Yield on the Bonds as required by the Code and Regulations. If the Bonds are redeemed prior to their scheduled maturity, the Issuer agrees to seek the advice of Bond Counsel or other rebate expert to recompute the Yield on the Bonds as required by the Regulations.

(iii) For each Computation Date, the Issuer shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (i) above this section E(1)(c) that are allocable to Gross Proceeds of the Bonds. In addition, where Nonpurpose Investments are retained by the Bond Commission after retirement of the Bonds, any unrealized gains or losses as of the date of retirement of the Bonds must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(iv) In determining the Nonpurpose Investments that are allocable to Gross Proceeds of the Bonds, the Issuer shall consider the allocation rules set forth in the Regulations, including the rules relating to the Universal Cap. In general, the Universal Cap represents the maximum value of Nonpurpose Investments that may be allocated to an issue of bonds and is determined by reference to the Value of all the outstanding bonds of the issue.

(v) For each Computation Date, the Issuer shall calculate for each Nonpurpose Investment described in paragraph (iii) above, an amount equal to the earnings which would have been received on such Nonpurpose Investment at an interest rate equal to the Yield on the Bonds as described in paragraph (ii) above. The method of calculation shall follow that set forth in the Regulations.

(vi) In determining the amount of any rebate computed pursuant to this section, all earnings on any Bona Fide Debt Service Fund to the extent such earnings do not exceed $100,000 in any Bond year shall not be taken into account.

(vii) For each Computation Date, the Issuer shall calculate the Rebate Amount (computed from the Issue Date of the Bonds to each such Computation Date) by any appropriate method provided in the Code and Regulations that is applicable to the Bonds, taking into account any computation credit allowed

thereunder. In determining the Rebate Amount, the Issuer shall account for the amounts determined under paragraphs (iii), (iv), and (v) above.

(viii) If the Rebate Amount exceeds the amount on deposit in the Rebate Account, the Issuer shall immediately pay that amount, or cause that amount to be paid, into the Rebate Account.

2. Payment to United States. (a) Installment Computation Dates. Unless the Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Bonds to each such Installment Computation Date).

(b) Final Computation Date. The Issuer shall pay to the United States, not later than sixty (60) days after the last outstanding Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date (computed from the date of issuance of the Bonds to the Final Computation Date).

(c) Mailing of Rebate Payment. Each Payment of an installment shall be mailed to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Each payment shall be accompanied by (i) a copy of IRS Form 8038-T, and (ii) the CUSIP number for the Bond with the latest maturity.

(d) Excess Balance in Rebate Fund; Excess Rebate Payments. If on the Rebate Payment Date the balance on deposit in the Rebate Fund is in excess of the Rebate Amount attributable to the Bonds, such excess may be withdrawn by the Issuer from the Rebate Fund. The Issuer may direct that any overpayment of rebate may be recovered from any rebate payment previously made to the United States under any procedure that may be permitted by the Code or the Regulations.

(e) Recordkeeping. In connection with the rebate requirement, the Issuer shall maintain (or cause to be maintained) the following records:

(i) The Issuer shall record all amounts paid to the United States pursuant to Section E(2) hereof.

(ii) The Issuer shall retain records of the rebate calculations until six years after the Final Computation Date.

(iii) The Issuer shall keep and record the data described in Section E(1)(c) hereof pertaining to the investment of the

proceeds of the Bonds until six years after the Final Computation Date.

3. Rebate Analyst. (a) A Rebate Analyst shall be appointed to perform the rebate calculations, as required herein.

(b) The Issuer may rely conclusively upon the opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

4. Failure to Pay Rebate Amounts. In the event the Issuer fails to pay at the proper time and in the proper amounts, any Rebate Amount, it will pay the rebate amount plus interest within 180 days after discovery of such failure as set forth in Section 1.148-3(h)(3) of the Regulations. Notwithstanding the foregoing, in the event the Issuer fails to pay at the proper time and in the proper amount any Rebate Payment or correction amount, it hereby covenants and agrees to pay any penalty required by Internal Revenue Service in lieu of a declaration of taxability on the Bonds.

F. MISCELLANEOUS

1. The amount designated as "Cost of Issuance" of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds and refunding of the Series 2001 A Bonds.

2. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Ogden, Utah. The Form 8038-G attached hereto as EXHIBIT B - FORM 8038-G is, to the best of my knowledge, true and correct, and may be relied upon by Bond Counsel.

3. None of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, or will be used to make or finance loans to, any person who is not a governmental unit.

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

5. The Issuer shall use the proceeds of the Bonds solely to current refund the Series 1986 A Bonds to their redemption date; to fund a Reserve Account for the Bonds; to pay the costs of acquisition and construction of the Project; and to pay costs of issuance thereof.

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

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

8. The Issuer has not entered and will not enter into any transaction to reduce the Yield on an investment of the Gross Proceeds of the Bonds so as to cause the amount to be rebated to the United States Treasury to be less than it would have been had the transaction been at arm's length and the Yield on the Bonds not been relevant to either party to the transaction, and that all investments of Gross Proceeds will be made on an arm's length, Fair Market Value basis.

9. On each Valuation Date, the Issuer agrees to value the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder in accordance with the Regulations. Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Bonds as of a Valuation Date shall not be considered a violation of this provision if the application of the Universal Cap would not result in a reduction or reallocation of Gross Proceeds of an issue.

10. [RESERVED]

11. No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer or other related governmental agency that have been used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Bonds.

12. In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax and Arbitrage Certificate), including without limitation any arrangement under which money, securities, or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer or related governmental agencies with any registered owner of the Bonds.

13. The Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the Regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold

or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

14. No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds.

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

(a) the payment of principal of, interest on, and redemption premium for the Series 1986 A Bonds;

(b) the payment of pre-issuance accrued interest on the Bonds from September 1, 2001 to September 13, 2001;

(c) the payment of the Costs of the Project;

(d) the payment of the Costs of Issuance of the Bonds;

(e) the payment of administrative costs allocable to repaying the Series 2001 A Bonds, or carrying and repaying the Bonds, or the reasonable investments of Proceeds of the Bonds;

(f) Transferred Proceeds allocable to expenditures for governmental purpose of the Series 2001 A Bonds;

(g) amounts deposited in the Sinking Fund (including investment earnings thereon) to pay debt service on the Series 2001 A Bonds; and

(h) qualified guarantee fees (within the meaning of the Regulations) for the Bonds or the Series 2001 A Bonds;

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

16. The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code and the Regulations thereunder.

17. The Issuer covenants to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be and continue to be excludable from gross income for federal income tax purposes.

18. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, and take all other actions required of it in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

19. The Issuer has retained the right to amend the Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Bonds from the gross income of the holders thereof.

20. The Issuer shall comply with all yield restrictions on Bond proceeds as set forth in the Code.

21. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest thereon. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Resolution.

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

23. Under section 1.148-2(b) of the Regulations, an officer of the Issuer must certify the issuer's expectations as of the issue date. In accordance therewith, the undersigned Chairman of the Issuer hereby in good faith certifies that the representations and covenants set forth in this Certificate constitute the reasonable expectations of the Issuer as of the Issue Date. Accordingly, the representations and covenants set forth herein are intended and may be relied upon as the certification described in section 1.148-2(b) of the Regulations and are being delivered as part of the record of proceedings in connection with the issuance of the Bonds.

24. The Issuer does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and bonds issued to currently refund any obligation of the Issuer) during the calendar year 2001 and hereby and in the Resolution designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

25. To the best of my knowledge, information and belief there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

26. Steptoe & Johnson PLLC is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

27. Notwithstanding any other provision hereof, any provision of this Tax and Arbitrage Certificate shall be amended at any time and such amendment shall be complied with, upon receipt by the Issuer of an opinion of Bond Counsel that such amendment is necessary or permissible under the then current Code and Regulations and is either necessary to or will not adversely affect the excludability of interest on the Bonds from gross income of the recipients thereof for federal income tax purposes.

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

WITNESS my signature this 13th day of September, 2001.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Chairman

09/07/01
0483960.00001

EXHIBIT A

UNDERWRITER'S CERTIFICATE

[Included in Transcript as Document No. 20]

EXHIBIT B

IRS FORM 8038-G

[Included in Transcript as Document No. 37]

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

REGISTRAR'S CERTIFICATE

United National Bank, Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows, all capitalized terms used herein to have the same meanings set forth in the Resolution of Kingmill Valley Public Service District (the "Issuer") adopted September 6, 2001, as supplemented (collectively the "Resolution"):

1. The Bank is a national banking association duly organized, validly existing, and in good standing under the laws of the United States of America, may lawfully conduct business in West Virginia, and is lawfully empowered, pursuant to such laws, to accept the duties and obligations contemplated and as provided under the Resolution and to serve in the capacity of Registrar under the Resolution.

2. The Bank has duly authorized, by all necessary action, the authentication of the Bonds and the execution and delivery of this Certificate and the acceptance of all duties of Registrar under the Resolution, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, such person, in his or her official capacity, was and is authorized to authenticate the Bonds for and on behalf of the Bank.

4. Appearing opposite the name and title of the person indicated below is a true and correct specimen of his or her signature.

Name	Title	Signature
Kathy Smith	Vice President	

5. There have been filed with the Bank all of the documents listed in Section 3.12 of the Resolution; the Bonds have been duly authenticated and delivered to the Original Purchaser, and proceeds of the Bonds have been deposited as required by the Resolution.

6. Attached hereto as EXHIBIT A is a correct listing of the Bond numbers, CUSIP numbers, maturity dates, principal amounts, interest rates and yields of the Bonds.

WITNESS my signature on this 13th day of September, 2001.

UNITED NATIONAL BANK

By _____
Its Vice President

08/24/01
0483960.00001

CH470014.1

EXHIBIT A - SERIES 2001 A BOND TERMS

TERM BONDS

Bond No.	CUSIP	Maturity Date	Principal Amount	Interest Rate	Price or Yield
AR-1	49579KAB9	October 1, 2016	$520,000	5.80%	100%
AR-2	49579KAA1	October 1, 2025	$610,000	6.10%	100%

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

UNDERWRITER'S CERTIFICATE

The undersigned Marie L. Prezioso, Senior Vice President of Ferris, Baker Watts, Incorporated (the "Underwriter"), for and on behalf of the Underwriter, as purchaser of the above-captioned Bonds (the "Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement dated September 6, 2001, by and between Kingmill Valley Public Service District (the "Issuer") and the Underwriter, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated September 6, 2001, relating to the Bonds, including interest accrued on the Bonds from September 1, 2001, to September 13, 2001. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement, including interest accrued on the Bonds from September 1, 2001, to September 13, 2001.

(b) The level of funding of the Reserve Account established by the Resolution authorizing issuance of the Bonds is reasonable and necessary because such an amount is required as a condition to marketing the Bonds at the interest rates and with the maturities established for the Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Bonds due to a temporary decrease in Net Revenues or increase in operating expenses. The amount to be maintained in the Reserve Account ($93,010.00) is equal to the maximum annual debt service on the Bonds and is less than 10% of the face amount of the Bonds, and is less than 125% of the average annual debt service on the Bonds.

(c) The weighted average maturity of the Bonds is 15.240 years.

(d) The remaining weighted average maturity of the Series 1986 A Bonds is 16.626 years.

(e) The net interest cost on the Bonds is 6.2133601% and the yield on the Bonds is 6.0004428%.

(f) This certificate may be relied upon by the Issuer with respect to completion of its Tax and Non-Arbitrage Certificate and IRS Form 8038-G relating to the Bonds, and by Steptoe & Johnson PLLC in rendering its tax opinion with respect to the Bonds.

Dated this 13th day of September, 2001.

FERRIS, BAKER WATTS, INCORPORATED

By _____
Senior Vice President

09/11/01
483960.00001

GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone (304) 366-4295
Fax (304) 366-4311

September 13, 2001

Kingmill Valley Public Service District (West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Kingmill Valley Public Service District
Fairmont, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

In connection with the issuance and delivery of the above-captioned bonds (the "Series 2001 A Bonds"), a portion of the proceeds of which will be used to prepay and current refund Kingmill Valley Public Service District's (the "Issuer") Sewer Revenue Bonds, Series 1986 A (the "Series 1986 A Bonds"), I have reviewed the debt service schedules (copies of which are attached hereto and incorporated herein by reference) for the Series 1986 A Bonds and the Series 2001 A Bonds and , based upon such review, I hereby certify that the savings to be achieved by such refunding will be approximately $248,165.57, determined by deducting $2,075,464.17, the amount of the total net debt service on the Series 2001 A Bonds, from $2,323,629.74, the amount of the total net debt service remaining on the Series 1986 A Bonds.

I have also reviewed the sewer rates of the Issuer, as approved by the order of the Public Service Commission of West Virginia entered January 11, 1999, in Case No. 98-0509-PSD-CN and the current operating expenses and customer usage as provided by the Issuer. It is my opinion that such rates are sufficient (i) to provide for all operating expenses of the sewerage system of the Issuer (the "System"), and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for the payment of principal of and interest on the Issuer's Sewer Revenue Bonds, Series 1986 B (the "Series 1986 B Bonds"), Sewer Revenue Bonds, Series 1999 A (the "Series 1999 A Bonds") and the Series 2001 A Bonds proposed to the issued on September 13, 2001.

It is further my opinion that the Net Revenues actually derived from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of the Series 2001 A Bonds are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for principal of and interest on the Series 1986 B Bonds, the Series 1999 A Bonds and the Series 2001 A Bonds.

Very truly yours,

Gary K. Bennett
Certified Public Accountant

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW
Clarksburg Charleston Morgantown Martinsburg Wheeling Parkersburg

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stumpjc@steptoe-johnson.com

August 31, 2001

Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

VIA HAND DELIVERY
Mr. Daniel B. Yonkosky
Director
Water Development Authority
180 Association Drive
North Gate Business Park
Charleston, West Virginia 25311-1571

Dear Bernie:

Please be advised that Kingmill Valley Public Service District (the "District") intends to currently refund all of its outstanding Sewer Revenue Bonds, Series 1986 A. Pursuant to the West Virginia Water Development Authority (the "WDA") prepayment guidelines, the District will close its Refunding Bonds and deposit sufficient moneys with the West Virginia Municipal Bond Commission to prepay its Series 1986 A Bonds on September 13, 2001.

Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,

John C. Stump

JCS/km

cc: R. Witter Hallan, Executive Director

483960/00001

CH471097.1

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$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

PREPAYMENT AGREEMENT

This AGREEMENT, made and entered into as of September 13, 2001, by and between KINGMILL VALLEY PUBLIC SERVICE DISTRICT (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission").

WITNESETH THAT:

WHEREAS, the Issuer presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds;

WHEREAS, the Issuer has received notice from the registered owner of its Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, originally issued in the aggregate principal amount of $1,008,657, of which $934,946 is presently outstanding (the "Series 1986 A Bonds") that it may prepay such bonds on or before September 14, 2001;

WHEREAS, the Issuer has determined to issue its Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"), pursuant to a bond resolution adopted on September 6, 2001, as supplemented by a supplemental resolution adopted September 6, 2001 (collectively, the "2001 Resolution"), and contemporaneously therewith, prepay and defease the Series 1986 A Bonds by depositing a portion of the proceeds of the Series 2001 A Bonds with the Commission; and

WHEREAS, the cash amounts which will be delivered to the Commission simultaneously with the delivery of the Series 2001 A Bonds, along with funds currently on deposit with the Commission, are in such amounts as to insure the payment on October 1, 2001 (the "Redemption Date"), of the entire principal amount of the Series 1986 A Bonds then outstanding, the redemption premium and all interest accrued thereon (collectively, the "Redemption Price");

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Series 1986 A Bonds, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. The deposit of moneys with the Commission shall constitute an irrevocable deposit of such moneys in trust for, and such moneys shall be applied to, the payment of the Redemption Price of the Series 1986 A Bonds on the Redemption Date.

2. Concurrently with the delivery of the Series 2001 A Bonds, the sum of $105,512.55 on deposit in the Series 1986 A Bonds Reserve Account shall be transferred by the Commission to the Series 1986 A Bonds Sinking Fund.

3. Concurrently with the delivery of the Series 2001 A Bonds, the Issuer shall deposit proceeds of the Series 2001 A Bonds in the amount of $955,287.45 in the Series 1986 A Bonds Sinking Fund. This deposit, along with the transfer of the moneys described in paragraph 2 above, and a portion of the existing balance in the Series 1986 A Bonds Sinking Fund of $55,448.62 (for a total of $1,116,248.62) will be sufficient to pay the Redemption Price of the Series 1986 A Bonds on the Redemption Date.

4. The Commission as Paying Agent for the Series 1986 A Bonds shall apply the moneys in the Series 1986 A Bonds Sinking Fund to the payment in full on October 1, 2001, of the Redemption Price of the Series 1986 A Bonds.

5. The holders of the Series 1986 A Bonds shall have an express lien on all moneys and assets in the Series 1986 A Bonds Sinking Fund until paid out, used and applied in accordance with this Agreement.

6. This Agreement shall terminate on the date on which all the Outstanding Series 1986 A Bonds have been redeemed, paid in full and discharged. Upon termination of this Agreement, any moneys remaining in the Series 1986 A Bonds Sinking Fund at the Commission after payment of administrative fees shall be transferred to the Issuer.

7. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

8. This Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Chairman

WEST VIRGINIA MUNICIPAL BOND COMMISSION

Executive Director

09/08/01
483960/00001

CH472656.1

STEPTOE & JOHNSON PLLC
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September 12, 2001

$1,130,000
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

VIA FAX AND REGULAR MAIL

R. Witter Hallan, Executive Director
West Virginia Municipal Bond Commission
8 Capitol Street
Charleston, WV 25301

Dear Witter:

As bond counsel for Kingmill Valley Public Service District (the "Issuer"), we wish to advise you that on September 13, 2001 (the "Closing Date"), the Issuer will deliver the above-captioned bonds (the "Bonds") to DTC, on behalf of Ferris, Baker Watts, Incorporated (the "Purchaser"). A portion of the proceeds of the Bonds will be used to prepay and current refund the Issuer's Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986 (the "Series 1986 A Bonds"). On the Closing Date, the Issuer will be required to make certain deposits pursuant to the Prepayment Agreement dated September 13, 2001, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Commission").

The proceeds of the Bonds in the amount of $1,055,028.67 will be wired from the Purchaser to the Commission on the Closing Date.

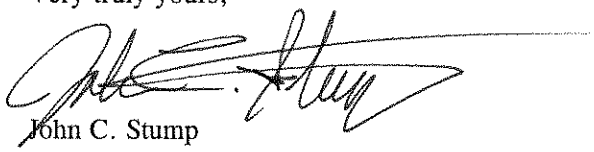
The prepayment for the Series 1986 A Bonds will be effected with $955,287.45 from the proceeds of the Bonds, the transfer of $105,512.55 from the Series 1986 A Bonds Reserve Account, and the existing balance in the Series 1986 A Bonds Sinking Fund of $55,448.62. All such moneys shall be deposited or transferred, as applicable, in the Series 1986 A Bonds Sinking Fund held by the Commission and applied to the payment of the entire principal of, the redemption premium and all interest accrued on the Series 1986 A Bonds on October 1, 2001. Bond proceeds in the amount of $93,010 shall be deposited in the Series 2001 A Bonds Reserve Account and $2,245.67 shall be deposited in the Series 2001 A Bonds Debt Service Fund to pay accrued interest on the Series 2001 A Bonds.

Upon redemption of the Series 1986 A Bonds on October 1, 2001, any funds remaining in the Series 1986 A Bonds Sinking Fund and the Series 1986 A Bonds Reserve Account shall be returned to the Issuer.

Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,



John C. Stump

JCS/km

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September 12, 2001

$1,130,000
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

VIA FAX AND REGULAR MAIL

R. Witter Hallan, Executive Director
West Virginia Municipal Bond Commission
8 Capitol Street
Charleston, WV 25301

Dear Witter:

As bond counsel for Kingmill Valley Public Service District (the "Issuer"), we wish to advise you that on September 13, 2001 (the "Closing Date"), the Issuer will deliver the above-captioned bonds (the "Bonds") to DTC, on behalf of Ferris, Baker Watts, Incorporated (the "Purchaser"). A portion of the proceeds of the Bonds will be used to prepay and current refund the Issuer's Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986 (the "Series 1986 A Bonds"). On the Closing Date, the Issuer will be required to make certain deposits pursuant to the Prepayment Agreement dated September 13, 2001, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Commission").

The proceeds of the Bonds in the amount of $1,055,028.67 will be wired from the Purchaser to the Commission on the Closing Date.

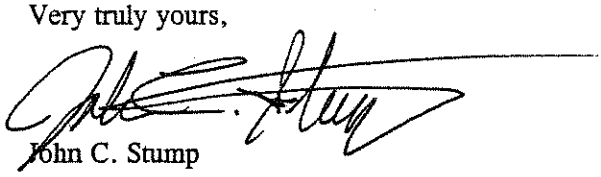
The prepayment for the Series 1986 A Bonds will be effected with $955,287.45 from the proceeds of the Bonds, the transfer of $105,512.55 from the Series 1986 A Bonds Reserve Account, and the existing balance in the Series 1986 A Bonds Sinking Fund of $55,448.62. All such moneys shall be deposited or transferred, as applicable, in the Series 1986 A Bonds Sinking Fund held by the Commission and applied to the payment of the entire principal of, the redemption premium and all interest accrued on the Series 1986 A Bonds on October 1, 2001. Bond proceeds in the amount of $93,010 shall be deposited in the Series 2001 A Bonds Reserve Account and $2,245.67 shall be deposited in the Series 2001 A Bonds Debt Service Fund to pay accrued interest on the Series 2001 A Bonds.

Upon redemption of the Series 1986 A Bonds on October 1, 2001, any funds remaining in the Series 1986 A Bonds Sinking Fund and the Series 1986 A Bonds Reserve Account shall be returned to the Issuer.

Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,



John C. Stump

JCS/km

State of West Virginia
WATER DEVELOPMENT AUTHORITY

180 Association Drive, Charleston, WV 25311-1571
(304) 558-3612 - (304) 558-0299 (Fax)
Internet: www.wvwda.org - Email: contact@wvwda.org

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

CERTIFICATE OF REDEMPTION DATE AND PRICE

The undersigned duly authorized representative of the West Virginia Water Development Authority (the "Authority"), the registered owner of the entire outstanding aggregate principal amount of the Sewer Refunding Revenue Bonds, Series 1986 A, dated June 12, 1986 (the "Series 1986 A Bonds"), of Kingmill Valley Public Service District (the "Issuer"), hereby certifies that the first permitted redemption date of the Series 1986 A Bonds is October 1, 2001, and the redemption price due on such date is $1,116,248.62 as set forth in the Authority's letter dated June 15, 2001, a copy of which is attached hereto, and hereby also acknowledges that the Issuer will redeem all outstanding Series 1986 A Bonds on October 1, 2001, without providing the Authority with any further notice of such redemption.

WITNESS my signature on this 13th day of September, 2001.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Authorized Representative

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 1986 A AND SERIES 1986 B

BOND RESOLUTION

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06/03/86
KIMI2-B

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 A AND NOT MORE THAN $100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF 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 KINGMILL VALLEY PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any orders or resolutions supplemental hereto, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. Kingmill Valley Public Service District (the "Issuer") is a public service district and public corporation of the State of West Virginia in Marion County of said State.

B. The Issuer has undertaken the acquisition and construction of public sewage collection and transportation facilities (the "Project") which constitute properties for the collection of liquid or solid wastes, sewage or industrial wastes

(the Project, and any additions thereto or extensions thereof is herein called the "System") at an estimated cost of $5,656,378, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Secretary of the Issuer.

C. The Issuer has heretofore issued its Sewerage System Construction Notes, Series 1983, dated December 15, 1983 (the "Notes"), in the aggregate principal amount of $2,875,000 pursuant to a bond and notes resolution adopted November 29, 1983, a supplemental resolution adopted November 29, 1983, and a second supplemental and amendatory resolution adopted December 21, 1983 (collectively, the "Prior Resolution"), to finance costs of construction and acquisition of the Project pending receipt of certain grant moneys and issuance of the within-described Bonds. The Issuer has encountered construction difficulties with respect to the Project and has not received certain EPA Grant proceeds as quickly and in the amounts as anticipated which requires that the Issuer borrow the sum of not to exceed $1,200,000 to finance that portion of the Issuer's local share of the Costs of the Project, in addition to the amount necessary to pay that portion of the principal of the Notes not payable from Grant Receipts, investment earnings and other sources.

D. The estimated revenues to be derived in each year after the enactment hereof from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds (as hereinafter defined) and all Sinking Fund, Reserve Account and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than $1,200,000 in two series, being the Series 1986 A Bonds in the aggregate principal amount of not more than $1,100,000 and the Series 1986 B Bonds in the aggregate principal amount of not more than $100,000 (collectively, the "Bonds"), to pay, at the maturity thereof, a portion of the Notes representing the "local share" of the Issuer of the Costs, additional Costs not otherwise provided for and costs of issuance of the Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes and the Bonds prior to and during construction or acquisition and for 6 months after completion of construction of the Project; engineering, and legal expenses; expenses for estimates of cost 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incident to the financing herein authorized, the construction or acquisition of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

G. The Issuer has heretofore entered into a loan agreement dated March 25, 1985, between the Issuer and the Authority, whereby the Authority had agreed, subject to the conditions stated therein, to loan to the Issuer a sum not to exceed $873,000. However, because of the need for local share funding in excess of that approved in such loan agreement, the Issuer hereby determines that it is in the best interests of the Issuer that its Original Bonds (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a new loan agreement and a supplemental loan agreement, both dated May 15, 1986 (collectively, the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority. The Loan Agreement shall supercede the previous loan agreement which shall be of no further force or effect.

H. Upon deposit of proceeds of the Bonds as described herein, there will not be outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien and source of and security for payment. The Series 1986 B Bonds shall be junior and subordinate to the Series 1986 A Bonds, as set forth herein.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity and approval of this financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the 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 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds 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 Chapter 16, Article 13A 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 of the Original 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 appointed by the Governing Body.

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

"Bondholder," "Holder of the Bonds," "Holder" 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 the Original Bonds and any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Governing Body, or any temporary Chairman duly appointed by the Governing Body.

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

"Consulting Engineers" means Bernard G. Sampson Company, Inc., Fairmont, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.02(E) hereof to be a part of the cost of construction and acquisition of the Project.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"EPA" means the United States Environmental Protection Agency and any successor to the functions of the EPA.

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

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

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

"Governing Body" means the public service board of the Issuer, consisting of 3 members, as may 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.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of the Notes; provided that "EPA Grant Receipts" means only Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EPA Grant and the Other Grants, as hereinafter defined.

"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, and for the furnishing by the Issuer of miscellaneous service.

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

"Indenture" or "Trust Indenture" means the Trust Indenture between the Issuer and the Trustee dated as of December 15, 1983, relating to the Notes and all supplements or amendments thereto.

"Independent Certified Public Accountants" shall mean 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.

"Issuer" means Fingmill Valley Public Service District, in Marion County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean, collectively, the loan agreement and the supplemental loan agreement, both dated May 15, 1986, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized by, this Resolution.

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

"Notes" means the $2,875,000 in aggregate principal amount of Sewerage System Construction Notes, Series 1983, heretofore issued by the Issuer to pay Costs of Project pending receipt of the Grant Receipts and proceeds of the 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 Registrar and Paying Agent (all as hereinafter defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $1,008,657 in aggregate principal amount of Series 1986 A Bonds and not more than $81,343 in aggregate principal amount of Series 1986 B Bonds, issued for the purpose of paying a portion of the principal of the Notes, additional Costs of the Project and for such other purposes permitted hereby and authorized by the Bond Legislation.

"Other Grants" means collectively, the WDA Grant, together with any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being delivered except (i) any Bond 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, with interest to the date of maturity, 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 bank or banks or other entity designated as such for the Bonds in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"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 acquisition and construction of a sewage collection and transportation system, including, but not limited to, mains, pipelines, tanks and pumps and all necessary appurtenances.

"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, provided that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments described in paragraphs (a) through (g), above.

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

"Registrar" means the Bond Registrar.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01 hereof.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

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

"Series 1986 A Bonds" or "Series A Bonds" means the not more than $1,008,657 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 A, of the Issuer.

"Series 1986 A Bonds Reserve Account" means the Series 1986 A Bonds Reserve Account established in the Series 1986 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1986 A Bonds Reserve Requirement" means, as of any date of calculation the maximum amount of principal and interest which will become due on the Series 1986 A Bonds in any Fiscal Year.

"Series 1986 A Bonds Sinking Fund" means the Series 1986 A Sinking Fund established by Section 5.02 hereof.

"Series 1986 B Bonds" or "Series B Bonds" means the not more than $81,343 in aggregate principal amount of Sewer Revenue Bonds, Series 1986 B, of the Issuer.

"Series 1986 B Bonds Reserve Account" means the Series 1986 B Bonds Reserve Account established in the Series 1986 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1986 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1986 B Bonds in any Fiscal Year.

"Series 1986 B Bonds Sinking Fund" means the Series 1986 B Bonds Sinking Fund established by Section 5.02 hereof.

"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 authorizing the sale of the Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Original 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 Bonds, including the Renewal and Replacement Fund and the Reserve Account.

"System" means the complete properties of the Issuer for the collection and transportion of liquid or solid wastes, sewage or industrial wastes, in its entirety or any integral part thereof, and shall include the existing facilities, the Project and any further additions, betterments and improvements 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.

"Trustee" means the trustee named in the Indenture.

"WDA Grant" means the grant from the West Virginia Water Development Authority pursuant to the commitment therefor.

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 CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby ratified the construction and acquisition of the Project, at an estimated cost of $5,656,378, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purpose of paying a portion of the Notes at their maturity, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $1,200,000. Said Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1986 A," in the aggregate principal amount of not more than $1,100,000, and "Sewer Revenue Bonds, Series 1986 B," in the aggregate principal amount of not more than $100,000, the exact amount of each Series to be set forth in the Supplemental Resolution, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Proceeds of the Bonds remaining after capitalization of interest, if any, and payment of the costs of issuance thereof and related costs shall, to the extent necessary to defease the Notes, be deposited in the Notes Debt Service Fund established by Section 4.01 of the Indenture, and thereafter, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall bear interest at such rate or rates, not exceeding 12% per annum, or such other rate as shall then be the legal maximum, payable semiannually 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. The Bonds shall be payable as to principal at the office of the Commission, through a Paying Agent or Paying Agents, if any, selected by the original purchaser or purchasers thereof, 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 Bonds 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 Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered 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, may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. The registered 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 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 any of the Bonds shall cease to be such officer of the Issuer before the 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 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 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 3.09 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 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 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 any of said 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 any of the Bonds remain outstanding, the Issuer, through the Bond Registrar, 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 15 days 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.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In any case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the 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 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 any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Series 1986 B Bonds to be Junior and Subordinate to Series 1986 A Bonds. The payment of the debt service of all the Series 1986 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The payment of the debt service of all the Series 1986 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of the Series 1986 A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the respective Sinking Funds and the Reserve Accounts therein hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Original Bonds. The text of the Series 1986 A Bonds and the Series 1986 B Bonds, respectively, shall be in substantially the following forms, 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 Series 1986 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1986 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1986. 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 Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month 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 upon the terms and conditions prescribed by, and otherwise in compliance with the Loan Agreement between the Issuer and the Authority, dated June 12, 1986.

This Bond is issued (i) to refund and pay a portion of the Sewerage System Construction Notes, Series 1983, of the Issuer (the

"Notes") issue to finance part of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project; and (iii) to pay certain costs of issuance hereof and related costs. 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 of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June, 1986 (collectively called 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 contemporaneously with the Sewer Revenue Bonds, Series 1986 B, of the Issuer (the "Series 1986 B Bonds") issued in the aggregate principal amount of $_____, which Series 1986 B Bonds are junior and subordinate with respect to lien and sources of and security for payment to the Bonds of this series (the "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, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1986 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which 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 or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1986 A Bonds Reserve Account and unexpended Bond proceeds. 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 amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the Series 1986 B Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds or the Series 1986 B Bonds,

provided however, that so long as there exists in the Series 1986 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will come due on the Bonds in any fiscal year, and in the reserve account established for the Series 1986 B Bonds or any other obligations outstanding prior to or on a parity with the Bonds or Series 1986 B 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to such registration requirements, 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, shall be applied solely to the payment of the Notes and Costs of the Project 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 in the issuance of this Bond have existed, 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 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1986.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____

KANAWHA VALLEY BANK, N.A.,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

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:

_____

[Form of Series 1986 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1986 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public corporation of the State of West Virginia in Marion 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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 as paying agent (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and upon the terms and conditions prescribed by and otherwise in compliance with the Supplemental Loan Agreement between the Issuer and the Authority, dated June 12, 1986.

This Bond is issued (i) to refund and pay a portion of the Sewerage System Construction Notes, Series 1983, of the Issuer (the "Notes") issued to finance part of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project") pending issuance of this Bond and receipt of certain grant proceeds; (ii) to pay additional costs of acquisition and construction of the Project; and (iii) to pay certain costs of issuance hereof and related costs. 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 of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, both duly adopted by the Issuer on the 10th day of June,

1986 (collectively called 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 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 after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1986 A Bonds herein described, moneys in the Reserve Account created under the Bond Legislation for the Bonds of this Series (the "Series 1986 B Bonds Reserve Account"), and unexpended proceeds of the Bonds of this Series (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 which 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 1986 B Bonds Reserve Account and unexpended Bond proceeds. 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 fiscal year equal to at least 115% of the amount required to pay the maximum amount due in any fiscal year of principal of and interest on the Bonds, the 1986 Series A Bonds, and all other obligations secured by or payable from such revenues prior to or on a parity with the 1986 Series A Bonds or the Bonds, provided however, that so long as there exists in the Series 1986 B Bonds Reserve Account and the reserve account established for the Series A Bonds, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the 1986 Series B Bonds in any fiscal year and any reserve account for any such prior or parity obligations is funded at least at 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.

This Bond is transferable, as provided in the Bond Legislation, only upon the books of Kanawha Valley Bank, N.A., Charleston, West Virginia, as registrar (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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements as 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, shall be applied solely to the payment of the Notes and the Costs of the Project 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 owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1986 A Bonds.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1986 A, OF THE ISSUER (THE "SERIES 1986 A BONDS"), ISSUED CONCURRENTLY HEREWITH AND DESCRIBED IN THE BOND LEGISLATION.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, 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 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 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, KINGMILL VALLEY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1986.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1986 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____.

KANAWHA VALLEY BANK, N.A.,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

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 3.10. Sale of Original Bonds; Execution of Loan Agreement with Authority. The Original 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 forms 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.

ARTICLE IV

[RESERVED]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with and shall be held by, the Depository Bank:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1986 A Bonds Sinking Fund;

Within the Series 1986 A Bonds Sinking Fund, the Series 1986 A Bonds Reserve Account.

(2) Series 1986 B Bonds Sinking Fund;

Within the Series 1986 B Bonds Sinking Fund the Series 1986 B Bonds Reserve Account.

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, pay from the Revenue Fund the current Operating Expenses of the System.

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1986 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1986 A Bonds on the next ensuing

semiannual interest payment date, less any earnings transferred from the Series 1986 A Bonds Reserve Account for the purpose of making interest payments and investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making interest payments on the Series 1986 A Bonds; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1986 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1986 A Bonds on the next ensuing principal payment date, less any earnings transferred from the Series 1986 A Bonds Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Series 1986 A Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 A Bonds; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1986 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1986 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1986 A Bonds Reserve Requirement.

(5) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments credited to the Series 1986 A 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 deficiency in the Series 1986 A Bonds 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 by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1986 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1986 B Bonds on the next ensuing principal payment date, less any earnings transferred from the Series 1986 B Bonds Reserve Account for the purpose of making principal payments and investment earnings on sums previously deposited in the Series 1986 B Bonds Sinking Fund for the purpose of making principal payments on the Series 1986 B Bonds.

(7) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1986 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1986 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1986 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1986 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 1986 B Bonds Reserve Requirement.

Moneys in the Series 1986 A Bonds Sinking Fund and the Series 1986 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1986 A Bonds Reserve Account and the Series 1986 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1986 A Bonds Reserve Account and the Series 1986 B Bonds Reserve Account shall be transferred, not less than once each year, to the respective Sinking Fund and applied in full to the next ensuing principal payment due on the respective Series of Bonds.

Any withdrawals from the Series 1986 A Bonds Reserve Account which result in a reduction in the balance of the Series 1986 A Bonds Reserve Account to below the Series 1986 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1986 A Bonds Sinking Fund for payment of debt service on the Bonds have been made in full.

Any withdrawals from the Series 1986 B Bonds Reserve Account which result in a reduction in the balance of the Series 1986 B Bonds Reserve Account to below the Series 1986 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1986 A and Series 1986 B Bonds Sinking Funds and the Renewal and Replacement Fund have been made in full.

As and when additional Bonds ranking on a parity with the Original 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 respective Reserve Accounts in an amount equal to the maximum provided and required to be paid into the respective Sinking Funds in any Fiscal Year for account of all the Original Bonds of such series, including such additional Original Bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the several Sinking Funds or into the Reserve Accounts therein when the aggregate amount of funds in all such Sinking Funds and said Reserve Accounts are at least equal to the aggregate principal amount of and interest due to maturity on the respective Bonds then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Sinking Funds created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

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

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective 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. 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 said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein, and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Paying Agent or the Depository Bank, on such dates as the Commission, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be

necessary to pay the Depository Bank's charges and the Paying Agent fees then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the 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.

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and, following completion of the Project shall be deposited in the Revenue Fund and may be used for any lawful purpose.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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

A. The amount of proceeds, which together with other moneys in the Notes Debt Service Fund established pursuant to the Indenture, is sufficient to pay the entire principal amount of and interest accrued on the Notes at the maturity thereof shall first be deposited with the Trustee in said Notes Debt Service Fund.

B. The remaining moneys, if any, derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

C. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Disbursements from the Bond Construction Trust Fund, except for the costs of issuance thereof which shall be made upon request of the Issuer, shall be made only after submission to the Depository Bank of 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.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in qualified investments at the direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series A Bonds Reserve Account.

ARTICLE VII

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 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 said Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1986 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System and payment of the debt service of the Series 1986 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the Holders of the Series 1986 A Bonds, all to the extent necessary to make the payments required under Section 5.03 of this Resolution. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the attendant Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided therein, to the payment of the principal of and interest on the Bonds as the same 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 in the Order of the

Public Service Commission of West Virginia entered November 8, 1983 (Case No. 83-342-S-CM).

Section 7.05. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds established therefor, and, 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 at maturity of and interest on the Bonds about to mature. Any balance remaining after the payment of all the Bonds and interest 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 Fund 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, shall be deposited in the Renewal and Replacement Fund. Such payment of such proceeds into the Sinking Fund 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 the Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1986 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the 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 and source of and security for payment from such revenues and in all other respects, to both the Series 1986 A Bonds and the Series 1986 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

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 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the

issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued which shall be payable out of the revenues of the System prior to or on a parity with the Series 1986 A Bonds. All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1986 B Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, 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 on the following:

(A) The Bonds then Outstanding;

(B) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding;

(C) The Parity Bonds then proposed to be issued; and

(D) Any other obligations secured by or payable from the Net Revenues prior to the Series B Bonds.

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 enacted by the Issuer, 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.

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 enacted 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 additions, betterments 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. All such Parity Bonds, 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 Parity Bond of one series over any other Parity 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.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1986 A Bonds and the Series 1986 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the 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 either the Series 1986 A Bonds or the Series 1986 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.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds respectively on parity with the Series A Bonds and the Series B Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted on the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds 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 Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of 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 with respect to said Bonds 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 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 Bonds and shall file said report with the Authority, or any other original purchaser of the Bonds.

Section 7.09. Rates. Prior to the issuance of the Bonds, equitable rates or charges for the use of and service rendered by the System will be 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchasers thereof shall require. 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 Gross Revenues, (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other obligations secured by or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit in the respective Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the Bonds and all other

obligations secured by or payable from such revenues prior to or on a parity with the Bonds.

Section 7.10. Operating Budget and Audit. 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 expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by 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 to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. 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 the System.

Section 7.12. 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 and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the water system, if then owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of either system until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid.

Section 7.13. 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 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of 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 carried with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(A) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also

carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged 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 during construction of the Project in the full insurable value thereof.

(B) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $100,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(C) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract 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.

B. 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.

Section 7.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods

approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 7.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.17. Statutory Mortgage Lien. For the further protection of the Holders of the 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 Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1986 A Bonds shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds.

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 or the Indenture, 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 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 (except for transfers permitted hereunder), 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. 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.

Section 8.02. Restrictions as to Arbitrage Bonds. The Issuer hereby covenants, and hereby so instructs the Bond Commission and the Trustee that they 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 to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 103(c)(2) of the Internal Revenue Code (or any successor provision), and an Authorized Officer shall deliver his certificate, based upon this covenant, with regard thereto to the purchaser of the Original Bonds.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Bond Legislation, any supplemental resolution, or in the 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 Paying Agent, Depository Bank, any other bank or banking association holding any fund or account hereunder or a Holder of a Bond; or

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

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 however, that all rights and remedies of the Holders of the Series 1986 B Bonds shall be subject to those of the Holders of the Series 1986 A 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, 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 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 do.

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 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 Series 1986 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1986 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series A Bonds only, 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 1986 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 A 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of and interest on such Series 1986 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1986 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the 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 1986 A Bonds on and prior to 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 1986 A 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 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.

Section 10.02. Defeasance of Series 1986 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1986 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series B Bonds only, 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 1986 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1986 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due the principal installments of such Series 1986 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 1986 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 said Series 1986 B Bonds on and prior to 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 said Series 1986 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 said Bonds on and prior to 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. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the 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 respective 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.

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 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 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. Amendments to Maintain Tax Exemption. The Issuer hereby covenants to make any amendment or supplements to this Resolution to enable the interest on the Bonds to be and remain exempt from federal income taxation, and to preserve and maintain such tax exemption until the maturity or redemption thereof without further consent of the Holders of the Bonds.

Section 11.06. Conflicting Provisions Repealed. All orders, indentures, or resolutions and or parts thereof in conflict

with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 11.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment 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 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 11.08. Public Notice of Proposed Financing. Prior to adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation within the boundaries of Kingmill Valley Public Service District, a Class II legal advertisement stating:

> (a) The respective maximum amounts of the Bonds to be issued;
>
> (b) The respective maximum interest rates and terms of the Bonds originally authorized hereby;
>
> (c) The Project to be acquired or constructed and the cost of the same;
>
> (d) The anticipated rates which will be charged by the Issuer; and
>
> (e) The fact that a form is available in the office of the Clerk of The County Commission of Marion County and in the office of the Issuer for residents of that portion of the District which will be served by the Project who are registered voters to sign indicating their opposition to the Issuer's borrowing money or issuing the Bonds or the Notes originally authorized hereby, as the case may be. The Secretary of the Governing Body shall cause such form to be provided to said county clerk.

The Secretary of the Governing Body shall have also caused to be posted in conspicuous places throughout that portion of Kingmill Valley Public Service District which will be served by the

Project signs measuring not less than 8 1/2 inches in width and 11 inches in length which include the same information as required in the Class II legal advertisement set forth above.

Section 11.09. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 10th day of June, 1986.

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of Kingmill Valley Public Service District on this 10th day of June, 1986.

[SEAL]

Secretary, Public Service Board

06/03/86
KIMI2-A

"EXHIBIT A"

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1986 A and Series 1986 B

SUPPLEMENTAL BOND RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1986 A AND SERIES 1986 B, OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO 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 KINGMILL VALLEY PUBLIC SERVICE DISTRICT (the "Issuer") has duly and officially adopted a resolution, effective June 10, 1986 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 A AND NOT MORE THAN $100,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1986 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount of not to exceed $1,200,000, to be issued in two series, the Series 1986 A Bonds to be in an aggregate principal

amount of not more than $1,100,000 (the "Series 1986 A Bonds") and the Series 1986 B Bonds to be in an aggregate principal amount of not more than $100,000 (the "Series 1986 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series A Bonds dated May 15, 1986, and a supplemental loan agreement relating to the Series B Bonds dated May 15, 1986 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, 1931, as amended, Chapter 16, Article 13A (the "Act"); and in the Bond Resolution, it is provided that the maturity dates, interest rates, interest and principal payment dates, sale prices 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 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 bond resolution (the "Supplemental Bond Resolution") be adopted and that the Loan Agreement be entered into by the Issuer, that the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates 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 KINGMILL VALLEY PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Bond Resolution is adopted and there are hereby authorized and ordered to be issued:

(A) The Sewer Revenue Bonds, Series 1986 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,008,657. The Series 1986 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall bear interest at the rate of 9.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1986, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise as provided in and otherwise in

compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1986 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $81,343. The Series 1986 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2025, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve and accept the Loan Agreement copies of which are incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby ratified and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate Kanawha Valley Bank, N.A., Charleston, West Virginia, as Registrar for the Bonds and does approve and accept the Registrar's Agreement dated as of June 12, 1986, by and between the Issuer and Kanawha Valley Bank, N.A., in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent for the Bonds.

Section 6. The Issuer does hereby appoint Community Bank and Trust, N.A., Fairmont, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. These shall be no interest capitalized on the Bonds.

Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents 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 on or about June 12, 1986, to the Authority pursuant to the Loan Agreement.

Section 9. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 10. This Supplemental Bond Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of June, 1986.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

Chairman

Secretary

06/03/86
KIMI1-C

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration qualification or exemption under the securities laws of any such jurisdiction. This Preliminary Official Statement is deemed final as of its date, except for terms to be decided upon the sale of the Bonds.

NEW ISSUE - FULL BOOK ENTRY

In the opinion of Bond Counsel, under existing laws, regulations, published rulings and judicial decisions, the interest on the Series 2001 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (iii) under the laws of the State of West Virginia, the Series 2001 A Bonds are exempt from taxation by the State of West Virginia, and the other taxing bodies of the State and the interest on the Series 2001 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia (see "Tax Matters" herein).

$1,135,000*
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Dated: September 1, 2001 **Due: October 1 , as shown below**

The Series 2001 A Bonds shall be issued only as fully registered Bonds, and when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book entry form only and beneficial owners of the Series 2001 A Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Series 2001 A Bonds, payments of the principal of and interest on such Series 2001 A Bonds will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "THE SERIES 2001 A BONDS Book Entry Only System" herein).

The Series 2001 A Bonds are being issued to provide funds, together with other moneys available therefor, to refund certain outstanding sewer revenue bonds of Kingmill Valley Public Service District (the "District"); to fund a reserve account; and to pay certain costs of issuance and related costs.

The Series 2001 A Bonds are payable from and secured by the net revenues derived from the existing sewerage collection system of the District and any additions, betterments and improvements thereto and from funds on deposit in the Sinking Fund created therefor, including the Reserve Account established therein. The Series 2001 A Bonds do not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Series 2001 A Bonds, any premium or the interest thereon except from such net revenues and such funds on deposit. Neither the credit nor the taxing power, if any of the District shall be deemed to be pledged to, nor shall a tax ever be levied for, the payment of the principal of or the premium, if any, or interest on the Series 2001 A Bonds. The District has no taxing powers.

The Series 2001 A Bonds are subject to redemption prior to maturity as more fully stated herein.

The District has designated the Series 2001 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. In the opinion of Bond Counsel, the Series 2001 A Bonds are "qualified tax-exempt obligations," and the provision of the Code which disallows the deductibility of all interest expense payable by financial institutions on debt incurred or continued to purchase or carry most tax-exempt obligations does not apply to the Series 2001 A Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2001 A Bonds will be deductible for federal income tax purposes.

Branch Banking and Trust Company, Charleston, West Virginia, is Registrar and the West Virginia Municipal Bond Commission, Charleston, West Virginia, is Paying Agent. Interest on the Series 2001 A Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2002. Principal of the Series 2001 A Bonds is payable on each October 1 in accordance with the following schedule:

AMOUNTS, MATURITIES AND INTEREST RATES*

$1,135,000* % Term Bonds, Due October 1, 2025* at %

(Accrued interest to be added)

The Series 2001 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by James O. Watkins, Jr., Esq, Fairmont, West Virginia, counsel to the District. Certain legal matters will be passed upon for the Underwriter by Jackson & Kelly PLLC, Charleston, West Virginia, as counsel to the Underwriter. It is expected that the Series 2001 A Bonds will be available for delivery at DTC, New York, New York, on or about September 13, 2001.

FERRIS, BAKER WATTS, INCORPORATED

Dated: September __, 2001

*Preliminary, subject to change.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

PUBLIC SERVICE BOARD

Betty Waggoner, Chairman
William Fleming, Secretary
John Conaway, Treasurer

ADMINISTRATION

Edd Abbadini, General Manager

BOND COUNSEL

Steptoe & Johnson PLLC
Charleston, West Virginia

COUNSEL TO THE DISTRICT

James O. Watkins, Jr., Esq.
Fairmont, West Virginia

UNDERWRITER

Ferris, Baker Watts, Incorporated
Charleston, West Virginia
Baltimore, Maryland

UNDERWRITER'S COUNSEL

Jackson & Kelly PLLC
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2001 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by Kingmill Valley Public Service District, or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from Kingmill Valley Public Service District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Kingmill Valley Public Service District, since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2001 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

relating to

$1,135,000*

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
Sewer Refunding Revenue Bonds, Series 2001 A

September __, 2001

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Kingmill Valley Public Service District (the "District"), the District's sewerage collection system hereinafter described and defined and the District's $1,135,000* in aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"). The Series 2001 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and a bond resolution and supplemental resolution adopted by the Board of the District on September 6, 2001 (the "Resolution").

The proceeds of the Series 2001 A Bonds, together with other funds available therefor, will be used as follows: (i) to refund the District's Sewer Revenue Bonds, Series 1986 A, issued pursuant to a resolution dated June 10, 1986 (the "1986 Resolution"), originally issued in the aggregate principal amount of $1,008,657 and presently outstanding in the aggregate principal amount of $934,946 (the "Series 1986 A Bonds"); (ii) to fund a reserve account (the "Reserve Account") in the sinking fund (the "Sinking Fund") established with the West Virginia Municipal Bond Commission for the Series 2001 A Bonds in an amount equal to the maximum amount of principal and interest which will come due on the Series 2001 A Bonds in any year; and (iii) to pay certain costs of issuance of the Series 2001 A Bonds and related costs.

In addition to the Series 1986 A Bonds, the District currently has outstanding its Sewer Revenue Bonds, Series 1986 B, dated June 10, 1986, issued pursuant to the 1986 Resolution, originally issued in the aggregate principal amount of $81,343, and presently outstanding in the aggregate principal amount of $52,143 (the "Series 1986 B Bonds"); and its Sewer Revenue Bonds, Series 1999 A, dated June 15, 1999, issued pursuant to a resolution dated June 14, 1999, originally issued in the aggregate principal amount of $183,200, and presently outstanding in the aggregate principal amount of $180,638 (the "Series 1999 A Bonds") collectively, hereinafter called the "Prior Bonds." The resolutions pursuant to which the Prior Bonds were issued are hereinafter collectively called the "Prior Resolutions."

* Preliminary, subject to change.

The Series 2001 A Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects pursuant to the Resolution. See "SECURITY FOR THE SERIES 2001 A BONDS."

The Series 2001 A Bonds are payable from and secured by the Net Revenues, as defined in the Resolution, derived from the existing sewerage collection system of the District and any additions, betterments and improvements thereto (the "System"), and from funds on deposit in the Sinking Fund, including the Reserve Account therein. The Series 2001 A Bonds do not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Series 2001 A Bonds or any premium or the interest thereon except from such Net Revenues and such funds on deposit. Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will always produce Net Revenues 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 2001 A Bonds, the Prior Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2001 A Bonds, including the Prior Bonds. See "SECURITY FOR THE SERIES 2001 A BONDS - Rate Covenant." The payment of the principal or redemption price of and interest on the Prior Bonds will be made as described hereinafter under the heading "FINANCING PLAN."

The District may issue additional bonds on a parity with the Series 2001 A Bonds and the Prior Bonds for the purpose of (i) financing the costs of acquisition or construction of additions, betterments and improvements to the System, or (ii) the refunding of any or all series of Bonds, or (iii) all of such purposes, subject, in each case, to certain tests and conditions provided for by the Resolution or the Prior Resolutions (the Series 2001 A Bonds, the Prior Bonds and any such additional parity bonds are sometimes hereinafter referred to as the "Bonds"). See "SECURITY FOR THE SERIES 2001 A BONDS - Additional Parity Bonds."

Brief descriptions of the Series 2001 A Bonds, the Resolution, the refunding of the Series 1986 A Bonds, the System, the District, continuing disclosure and certain provisions of the Act, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, the Supplemental Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2001 A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement have the respective meanings given them in the Resolution.

FINANCING PLAN

The Series 2001 A Bonds are being issued for the primary purpose of refunding the District's Series 1986 A Bonds. The Series 1986 A Bonds will be redeemed on their first redemption date, being October 1, 2001. The refunding is being undertaken to effect a savings in aggregate debt service for the District. The moneys required to prepay the Series 1986 A Bonds will be deposited with the West Virginia Municipal Bond Commission (the "Commission"). The Commission will hold the money in trust for the payment of the Series 1986 A Bonds and for the benefit of the holders thereof.

Prior to the issuance of the Bonds, the District shall receive approval of the refunding plan from the Public Service Commission of West Virginia (the "PSC").

Concurrently with the delivery of the Series 2001 A Bonds, the District will apply certain funds from the proceeds of sale of the Series 2001 A Bonds, together with other funds available therefor, to the defeasance of the Series 1986 A Bonds. The cash deposited therein, will be sufficient to pay (1) the principal outstanding on October 1, 2001, (2) the redemption price of 102% of the aggregate principal amount of Series 1986 A Bonds remaining outstanding on October 1, 2001, and (3) the interest due on the Series 1986 A Bonds on October 1, 2001.

Upon the deposit of cash with the Commission, the pledge of Net Revenues, the moneys in the funds and accounts created under the 1986 Resolution pursuant to which the Series 1986 A Bonds were issued and any other funds pledged by the 1986 Resolution for the Series 1986 A Bonds will be discharged and satisfied, provided that the Prior Bonds will continue to be secured by the Prior Resolutions.

Estimated Sources and Uses of Funds

Sources of Funds

Principal Amount of Bonds	$_____
Less: Original Issue Discount	(_____)
Moneys Available from the District (1)	_____
Accrued Interest	_____
TOTAL	$_____

Uses of Funds

Cash Deposit to Commission	$_____
Deposit to Reserve Account (2)	_____
Underwriter's Discount	_____
Costs of Issuance	_____
Accrued Interest	_____
TOTAL	$_____

(1) Certain moneys held by the West Virginia Municipal Bond Commission in the existing sinking fund (including the reserve account) for the Series 1986 A Bonds.

(2) An amount equal to the maximum amount of principal and interest which will come due on the Series 2001 A Bonds in any fiscal year.

THE SERIES 2001 A BONDS

General

The Series 2001 A Bonds are dated and bear interest from September 1, 2001, upon original issuance. After original issuance, any Series 2001 A Bond issued prior to the first interest payment will be dated September 1, 2001. Any Series 2001 A Bond issued on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof; unless the date of authentication is after the Record Date but prior to the applicable interest payment date or on such interest payment date on which interest on said Series 2001 A Bond shall have been paid in full or duly provided for, in which case said Series 2001 A Bond shall be dated such interest payment date; or, if interest on such Series 2001 A Bond shall be in default, as shown by the records of the Registrar, as defined below, then any Series 2001 A Bond issued in exchange for a Series 2001 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2001 A Bonds will bear interest from their date, payable semiannually on each April 1 and October 1, commencing April 1, 2002, upon original issuance, at the rates per annum and will mature on October 1 in the years and in the amounts set forth on the cover page of this Official Statement.

The Series 2001 A Bonds will be issued as fully registered bonds, in denominations of $5,000 and integral multiples thereof for any year of maturity. Interest on the Series 2001 A Bonds is payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by Branch Banking and Trust Company, Charleston, West Virginia, as registrar (the "Registrar"), for the registration and transfer of bonds (the "Register") as of the fifteenth (15th) day of the month preceding such interest payment date (the "Record Date") or, in the event of a default in the payment of the Series 2001 A Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date, or, if requested, in the case of such an owner of $500,000 or more in principal amount of Series 2001 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to the such interest payment date by such owner. Principal of and premium, if any, on the Series 2001 A Bonds is payable to the owner thereof upon surrender thereof at the office of the West Virginia Municipal Bond Commission as paying agent (the "Paying Agent").

Book-Entry Bonds

The Series 2001 A Bonds will be available to individual purchasers in book-entry form only. Purchasers of the Series 2001 A Bonds will not receive certificates representing their interests in the Series 2001 A Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York will act as securities depository ("Securities Depository") for the Series 2001 A Bonds ("Securities"). The Series 2001 A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2001 A Bond will be issued for each issue of the Series 2001 A Bonds each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need of physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange LLC, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities in DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

All redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying

Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

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

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

For every transfer and exchange of the Series 2001 A Bonds, the Registrar may charge DTC, and DTC may charge the Participants and the Participants may charge the Beneficial Owners, sums sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

In the event the District determines that it is in the best interest of the Beneficial Owners that they may be able to obtain Series 2001 A Bond certificates, the District may notify DTC and the Registrar, whereupon DTC will notify the Participants, of the availability through DTC of Series 2001 A Bond certificates. In such event, the Registrar shall cause to be issued, transferred and exchanged Series 2001 A Bond certificates as requested by DTC as Bondholder in appropriate amounts. DTC may determine to discontinue providing its service with respect to the Series 2001 A Bonds at any time by giving notice to the District and the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor Securities Depository), the District and the Registrar shall be obligated to deliver Series 2001 A Bond certificates as described in the Resolution. In the event the Series 2001 A Bond certificates are issued, the provisions of the Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal or redemption price of and interest on such Series 2001 A Bond certificates. Whenever DTC requests the District and the Registrar to do so, the Registrar and the District will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2001 A Bonds to any Participant having the Series 2001 A Bonds credited to its DTC account or (b) to arrange for another Securities Depository to maintain custody of certificates evidencing the Series 2001 A Bonds.

Optional Redemption*

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2011 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

* Preliminary, subject to change.

Mandatory Redemption

The Series 2001 A Bonds maturing on October 1, 2025* are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2025*

Year	Amount
2002	
2003	
2004	
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025**	

* Preliminary, subject to change.

**Final Maturity

Notice of redemption will be given to the registered owner or owners of the Bonds by the State by first class mail, postage prepaid, at least 30 days and not more than 60 days, prior to the date fixed for redemption.

SECURITY FOR THE SERIES 2001 A BONDS

The Series 2001 A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2001 A Bonds except from said sources.

Sources of Payment

The payment of the debt service on the Series 2001 A Bonds and the Prior Bonds shall be secured equally and ratably by a lien on the Net Revenues derived from the System. Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2001 A Bonds and the Prior Bonds and to make the payments into the Sinking Fund and all other payments provided for in the Resolution, and the funds in the Sinking Fund are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2001 A Bonds and Prior Bonds as the same become due and for the other purposes provided in the Resolution.

Rate Covenant

The District covenants and agrees in the Resolution that the schedule of rates and 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 and interest, if any, on the Series 2001 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2001 A Bonds, including the Prior Bonds.

Reserve Account

Pursuant to the Resolution there will be created with the Commission, the Series 2001 A Bonds Reserve Account established in the Sinking Fund, in an amount equal to the Series 2001 A Bonds Reserve Requirement. The "Series 2001 A Bonds Reserve Requirement" is defined under the Resolution as the maximum amount of principal and interest which will come due on the Series 2001 A Bonds in any year, assuming that the principal of any Term Bond is deemed due on the earlier of its stated maturity date or the date on which it is required to be redeemed pursuant to mandatory sinking fund redemption. Moneys in the Reserve Account shall be used only to pay principal of and interest on the Series 2001 A Bonds as due, when amounts in the Series 2001 A Bonds Sinking Fund are

insufficient therefor; provided, that no payments shall be required to be made into the Series 2001 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2001 A Bond Reserve Requirement. The District is required to restore any withdrawals from the Reserve Account which have the effect of reducing the assets therein below the Series 2001 A Bonds Reserve Account Requirement, first from the Net Revenues and then from the Renewal and Repayment Fund after all other required payments to the Series 2001 A Bonds Sinking Fund, including any deficiencies for prior payments, have been made in full.

Renewal and Replacement Fund

The District is required after the payments into the Sinking Fund described above, on the first day of each month, to 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

Withdrawals and disbursements from the Renewal and Replacement Fund may be made for: (a) To pay the reasonable costs of replacements, emergency repairs, improvements or extensions to the system or (b) To make up any deficiency in any Reserve Account.

Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with a State banking corporation or national banking association selected by the District (the "Depository Bank"), for disposition in the following order of priority: (1) first, to pay the current monthly Operating Expenses of the System; (2) next, remit to Paying Agent (i) the amounts required by the Prior Resolutions for deposit to the Sinking Funds of the Prior Bonds for payment of interest, if any, on and principal of the Prior Bonds; (ii) for monthly deposit in the Series 2001 A Bonds Sinking Fund established with the Commission, a sum equal to 1/6 of the amount of interest which will become due on the Series 2001 A Bonds on the next ensuing semiannual interest payment date and (iii) a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2001 A Bonds on the next ensuing principal payment date or mandatory redemption date (provided, that until the first interest payment date, the District shall make equal monthly payments into the Sinking Fund in an amount which shall be reduced by any earnings credited to the Sinking Fund, if any, will be sufficient to pay principal and interest due on the first principal and interest date); (3) next, remit to the Bond Commission the amounts required by the Prior Resolution to be deposited in the respective Reserve Accounts of the Prior Bonds, and then for restoration of any deficiency in the funding of the Series 2001 A Bonds Reserve Account; and (4) next, for monthly transfer to the Renewal and Replacement Fund, a sum equal to two and one-half percent of Gross Revenues (less any amount transferred to the Series 2001 A Bonds Reserve Account) received during the preceding month.

As described under "Sources of Payment" above, the Series 2001 A Bonds and the Prior Bonds are secured by a first parity lien on the Net Revenues of the System.

Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State. Under the Act, as hereinafter defined, all such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

The District further covenants and agrees that it will, to the full extent permitted by law and regulations promulgated by the PSC, discontinue and shut off the services and facilities of the System and any services and facilities of the waterworks system, if so owned by the District, to all delinquent users of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is not owned by the District, the District shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the PSC and all rules, regulations and orders of the PSC. (See "THE SYSTEM - Customer Statistics.")

Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on a parity with the Series 2001 A Bonds (limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable) with respect to their lien on the Net Revenues of the System and their source of and security for payment from said Net Revenues (the "additional parity Bonds") for the following purposes and under the following conditions:

> No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of Bonds, or both such purposes.
>
> No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, 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:

A. The Bonds then Outstanding;

B. Any Parity Bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and

C. The Parity Bonds then proposed to be issued.

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

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

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

Merger, Consolidation or Acquisition

The Resolution provides that the District may, without the consent of the registered owners of the Series 2001 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2001 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the District first obtains a written statement by an Independent Certified Public Accountant that the merged, consolidated or acquiring entity will, immediately following such merger, consolidation or acquisition, satisfy the test for the issuance of additional parity bonds.

THE SYSTEM

History and Development

Kingmill Valley Public Service District was created by order of The County Commission of Marion County (the "County Commission") in 1966 to provide sewerage service to designated unincorporated areas of Marion County. Other sewerage service providers in the County are City of Fairmont, Town of Barrackville, Town of Monongah, Colfax Public Service District, Four States Public Service District, Greater Marion Public Service District, Greater Paw Paw Public Service District, Mannington Public Service District and Whitehall Public Service District. The District operates a collection system only. Construction of the District's first project began in 1986 financed with the proceeds of the Series 1986 A Bonds, the Series 1986 B Bonds and a United States Environmental Protection Agency grant. Since 1986, the District has focused on upgrading the system, and in 1999 completely rebuilt three pump stations with the proceeds of the Series 1999 A Bonds. The District's sewage is treated at the City of Fairmont treatment plant under a 40 year agreement which was approved by the PSC in 1984.

Public Service Board

The District is governed by a three-member Public Service Board, the members of which are appointed by the County Commission for staggered six year terms. Annually at the first calendar year meeting, the Board must elect officers including a Chairman, a Secretary and a Treasurer. The Secretary and Treasurer need not be members of the Board. The Board members, officers, terms and occupations are listed below:

Board	Term	Occupation
Betty Waggoner, Chairman	10/2/96 to 10/1/02	Retired
William Fleming, Secretary	5/28/99 to 10/1/04	Retired
John Conaway, Treasurer	10/2/00 to 10/1/06	Administrator

The Board employs a General Manager for the System and other personnel and consultants. Edd Abbadini has served as General Manager for 13 years. Mr. Abbadini is responsible for the operation, maintenance and administration of the District, and holds a Bachelor of Science degree in Business Management from Fairmont State College. In addition to the General Manager, the Board has two (2) full-time employees.

James O. Watkins, Jr., Esq., Fairmont, West Virginia, provides legal services and Gary K. Bennett, Certified Public Accountant, Fairmont, West Virginia, provides accounting services for the District. Engineering services are obtained by the District as needed for project development and construction.

Summary of Ongoing and Future Projects

Projects to maintain and improve the System are underway. The District anticipates beginning a project to rebuild the Kingmont Pumpstation during 2002.

Developments within the District include:

(a) 1 business under construction at the Valley Industrial Park; and

(b) 14 lot subdivision with 4 new houses under construction.

Customer Statistics

The average numbers of customers of the System for the past four Fiscal Years are as follows:

Fiscal Year (ending June 30)	Number of Customers
1998	1,148
1999	1,201
2000	1,234
2001	1,278

As of June 30, 2001, the System had 1,278 customers, consisting of 1,201 residential customers and 77 commercial customers. The District's customers are billed on the basis of water consumption. Water service is provided by the City of Fairmont and private wells. The District has a Disconnection Agreement with the City of Fairmont, whereby water service is discontinued for nonpayment of sewerage services provided by the District.

Source: District

The following table sets forth the ten (10) largest customers of the System, their average monthly revenues and the percentage of total average monthly operating revenues for July and August 2001.

Customer	Revenue	Percentage of Total Revenue
Superior Industrial Laundries	$3,374	9.33%
Comfort Inn & Suites	926	2.56
Cracker Barrel Old Country Store	860	2.38
Marion County Board of Education	766	2.12
Super 8 Motel	603	1.67
Riverview Estates Mobile Home Park	553	1.53
DJ's 50's & 60's Diner	379	1.05
Lavigna Mobile Home Park	337	0.93
Kingmont Chevron	236	0.65
Soles Electric Co, Inc.	223	0.62
Total:	$8,257	22.84%

Source: District Billing Records.

Rates

Pursuant to the Act, rates and charges are set by the PSC for the use of and the service rendered by the System sufficient for the payment of sums required to be paid into the various sinking funds and to provide for the repair, replacement, maintenance and operation of the System.

Current Rates

The current rates, approved by the PSC on December 22, 1998, are as follows:

First	50,000 gallons used per month	$4.91 per 1,000 gallons
All Over	50,000 gallons used per month	$4.05 per 1,000 gallons
Minimum Bill		$9.82 per month
Unmetered & Well Users:		$17.18 per month
Service Connection Charge:		$200.00
Service Reconnection Charge:		$25.00

Prohibited Discharge

Discharge of downspouts, gutters, or surface drainage shall be prohibited from entry into sanitary sewer lines of the District.

Wherever the District has discovered that a customer's roof drain, downspout, storm sewer or similar facilities conducting surface water have been connected to the District's sewer system, and such customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the District in accordance with the Rules and Regulations of the PSC, to eliminate such connection, then water shutoff procedures are commenced. Water and sewer service are not restored until such customer takes appropriate action.

Billing and Collections

The District bills each customer bi-monthly, based on the actual water meter reading for the previous 2 months. Payments are accepted for twenty days after the billing date before a late penalty of 10% is added. If bills are not paid within thirty days, then water shutoff procedures are commenced. Water and sewer service are not restored until the account is settled in full.

PROVISION OF DOUBTFUL ACCOUNTS

Year Ended June 30	Operating Revenues	Provision for Doubtful Accounts
1998	$358,330	$20,000
1999	391,454	20,000
2000	425,127	20,000

Source: Gary K. Bennett, CPA, audit reports fiscal year 1998 through fiscal year 2000.

Note: The Audit Report of the District for the fiscal year ended June 30, 2001 is currently being prepared by Gary K. Bennett, CPA, and will be available from the District upon completion.

The District has covenanted to diligently enforce and collect all fees and charges as described in "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION -- **General Covenants -- Enforcement of Collections**" herein.

System Budget and Expenditure

An operating budget is prepared annually by the General Manager and is required by the Act to be submitted to the Board no later than 45 days before the new fiscal year begins. The budget is compared to actual year-to-date revenues and expenditures monthly.

Method of Accounting

The District maintains its accounts on an accrual basis and prepares its financial statements in accordance with generally accepted accounting principles. Gary K. Bennett, Certified Public Accountant, Fairmont, West Virginia, audited the records of the District for the fiscal years ended June 30, 2000, 1999 and 1998 (See "Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 2000".)

Retirement System

District employees are not covered under any retirement plan.

Summary of Historical Revenues and Expenses

The following schedule summarizes historical revenues and expenses of the System for the four fiscal years ended June 30.

	1997	1998	1999	2000
Operating Revenue	$344,657	$358,330	$391,454	$425,127
Operating Expenses:				
Operation and Maintenance	205,956	247,461	225,174	248,835
Depreciation	134,125	134,230	134,933	139,245
Total Operating Expenses	340,081	381,691	360,107	388,080
Operating Income (loss)	4,576	(23,361)	31,347	37,047
Nonoperating Revenues (expenses):				
Interest	8,509	8,917	8,888	8,605
Miscellaneous	----------	----------	----------	3,526
Interest expense on debt	(95,861)	(95,124)	(95,053)	(104,373)
Total nonoperating revenues (expenses)	(87,352)	(86,207)	(86,165)	(92,242)
Net income (loss)	$(82,776)	(109,568)	(54,818)	(55,195)

Source: District Financial Statements

Note: The Audit Report of the District for the fiscal year ended June 30, 2001 is currently being prepared by Gary K. Bennett, CPA, and will be available from the District upon completion.

See "Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 2000."

Annual Debt Service Requirements

The following table sets forth for each fiscal year during which the Series 2001 A Bonds will be outstanding the amounts payable from Net Revenues as principal of and interest on the Series 2001 A Bonds and the Prior Bonds.

DEBT SERVICE REQUIREMENTS

Year Ended June 30	2001 A Bonds Principal	2001 A Bonds Interest	Prior Bonds Debt Service	Total
2001	$ -0-	-0-	$ 13,915.61	$
2002			13,913.47	
2003			13,910.51	
2004			13,908.45	
2005			13,905.96	
2006			13,902.76	
2007			13,899.54	
2008			13,895.93	
2009			13,892.56	
2010			13,889.03	
2011			13,884.93	
2012			13,880.83	
2013			13,877.23	
2014			13,871.67	
2015			13,867.63	
2016			13,862.53	
2017			13,856.81	
2018			13,850.86	
2019			13,845.03	
2020			13,838.61	
2021			13,830.91	
2022			13,824.15	
2023			13,816.47	
2024			13,808.05	
2025			13,799.96	
TOTAL	$		$346,749.49*	

* Total debt service on the Prior Bonds reflects the debt service of the Series 1986 B Bonds and the Series 1999 A Bonds through 2025. The Series 1986 B Bonds mature in 2025, while the Series 1999 A Bonds mature in 2038.

Coverage Ratios

Under the Resolution, the District has covenanted to collect fees and charges such that Net Revenues available for debt service are not less than 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2001 A Bonds and all other obligations secured by a lien or payable from such revenues prior to or on a parity with the Series 2001 A Bonds, including the Prior Bonds. See "SECURITY FOR THE SERIES 2001 A BONDS -- Rate Covenant," herein.

The following table presents the historical debt service coverage ratio for the Prior Bonds for the fiscal years ended June 30, 1998, 1999 and 2000.

HISTORICAL DEBT SERVICE COVERAGE RATIO

	Fiscal Years Ended June 30		
	1998	1999	2000
Gross Revenues:			
Renewal and Replacement Deposit	6,457	5,327	16,399
Gross Revenues After Renewal and Replacement Fund Deposit	351,873	386,127	408,728
Operating Expenses (excluding amortization and depreciation)	247,230	224,942	248,475
Net Revenue Available for Debt Service	104,643	161,185	160,253
Debt Service Requirements	103,113	103,113	112,764
Coverage Ratio	1.01%*	1.56%	1.42%

Source: Gary K. Bennett, CPA, audit reports fiscal year 1998 through fiscal year 2000.

Note: The Audit Report of the District for the fiscal year ended June 30, 2001 is currently being prepare by Gary K. Bennett, CPA, and will be available from the District upon completion.

* The District applied to the PSC for a rate increase following the end of the fiscal year 1998, which rate increase was approved by the PSC on December 22, 1998.

Management's Discussion

On October 1, 1999, the District filed a resolution with the County Commission proposing the dissolution of the District and the sale of all its assets, rights, property, and facilities to the City of Pleasant Valley, a municipality created within the District's boundaries in 1995. The District has sought and continues to seek approval of such dissolution and sale from the appropriate governmental bodies. The West Virginia PSC has granted tentative approval of the matter, pending a decision on a request to consolidate all of Marion County's public service districts, made by the County Commission. The District intends to pursue dissolution of the District and the sale of all its assets, rights, property, and facilities to the City of Pleasant Valley.

In 1999, through audit findings and communications, the District became aware of a shortage of cash. Approximately $9,030 and $4,400, for fiscal years ended June 30, 1998 and 1997 respectively, of payments posted to customer accounts receivable were not deposited into the District's cash account. After investigating the matter, the District dismissed, and pursued criminal charges of embezzlement against, a billing clerk for the District. The former billing clerk was prosecuted in 1999 and is required to make restitution to the District in the amount of $14,947.09. The former billing clerk is required to make monthly payments of $200.00 until such time full restitution is made. With the assistance of Gary K. Bennett, Certified Public Accountant, the District has established controls to aid in preventing any embezzlement problems in the future. These controls are continually reviewed by the District and the accountant.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the Series 2001 A Bonds, the Resolution, or any agreement to which the District is a party and which is a part of the issuance of the Series 2001 A Bonds.

LEGAL MATTERS

The authorization and issuance of the Series 2001 A Bonds are subject to the approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Bond Counsel will render an opinion in substantially the form set forth in Appendix C to this Official Statement. Certain legal matters will be passed upon for the District by its counsel, James O.

Watkins, Jr., Esq., Fairmont, West Virginia, and for the Underwriter by its counsel, Jackson & Kelly PLLC, Charleston, West Virginia.

TAX MATTERS

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions, the interest on the Series 2001 A Bonds (a) is excludable from gross income for federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (c) under existing West Virginia law, the Series 2001 A Bonds are exempt from taxation by the State of West Virginia or the other taxing bodies of the State and the interest on the Series 2001 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State West Virginia. For the purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989).

The District has designated the Series 2001 A Bonds as "qualified tax-exempt obligations" and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2001. Therefore, the Series 2001 A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b) (3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the Series 2001 A Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2001 A Bonds is deductible for federal income tax purposes.

The opinions described above are subject to the condition that the District complies on a continuing basis with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2001 A Bonds for interest thereon to be or continue to be excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Series 2001 A Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Series 2001 A Bonds.

The accrual or receipt of the interest on the Series 2001 A Bonds may otherwise affect the federal income tax liability of certain recipients. The extent of these and other consequences will depend upon the recipient's particular tax status or other consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences, and investors should consult their tax advisors regarding the tax consequences of purchasing or holding the Series 2001 A Bonds.

UNDERWRITING

Ferris, Baker Watts, Incorporated, as Underwriter, has agreed, subject to certain conditions, to purchase the Series 2001 A Bonds from the District at a price of $_____. The Underwriter will be obligated to purchase all of the Series 2001 A Bonds if any are purchased. The Series 2001 A Bonds may be offered and sold to certain dealers (including investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the public offering price stated on the cover page of this Official Statement, and such public offering price also may be changed without prior notice, from time to time, by the Underwriter.

ACCOUNTANT'S CALCULATIONS

Gary K. Bennett, Fairmont, West Virginia, independent certified public accountants, will certify the debt service savings, coverage requirement and parity test requirement.

FINANCIAL STATEMENTS OF THE DISTRICT

Included herein as Appendix B is the audited financial statement (and reports with respect thereto) of the District as of June 30, 2000, prepared by Gary K. Bennett, CPA, Fairmont, West Virginia. The financial statement has been included herein in reliance upon the reports of the preparers thereof as experts in auditing and accounting.

CONTINUING DISCLOSURE

The District has agreed in the Resolution to an undertaking (the "Undertaking") for the benefit of the Registered Owners of the Series 2001 A Bonds to provide:

(a) within 180 days after the end of its 2002 fiscal year and each subsequent fiscal year, to each nationally recognized municipal securities information repository and to any West Virginia State information depository ("State Depository"), core financial information and operating data for the prior fiscal year, including (i) the District's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the District's revenues, expenditures, and financial operations of the type found in this Official Statement under the caption "The System"; and

(b) in a timely manner, to each nationally recognized municipal securities information repository ("National Repository") or to the Municipal Securities

Rulemaking Board ("MSRB"), and to State Depository, notice of any of the following events with respect to the Series 2001 A Bonds, if material:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights if security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities;
(11) rating changes; and
(12) failure of the District to comply with clause (a) above.

With respect to Event (8), the District does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Bonds and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases.

Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository and the State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2001 A Bonds. Registered Owners may contact the General Manager of the District at P.O. Box 265, Fairmont, West Virginia 26554, (304) 366-3928 for more information.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2001 A Bonds.

Copies of the Resolution, the Undertaking and other applicable documents may be obtained from the District at the following address:

Kingmill Valley Public Service District
P.O. Box 265
Fairmont, West Virginia 26554
Attention: General Manager
(304) 366-3928

or, during the period of offering the Series 2001 A Bonds, from the Underwriter.

The execution and distribution of this Official Statement has been duly authorized by the District.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: _____
Chairman

529204

Appendix A

Kingmill Valley Public Service District

Introduction

Marion County is located in north central West Virginia. The County was created in 1842 from parts of Monongalia and Harrison counties, and named in honor of General Francis Marion, of Revolutionary War fame, known in history as "The Swamp Fox."

The County seat is located at Fairmont, one of eleven municipalities in Marion County. The other municipalities are Barrackville, Fairview, Farmington, Grant Town, Mannington, Monongah, Pleasant Valley, Rivesville, White Hall, and Worthington. The 2000 U.S. Census for the County was 56,598, a decrease from the 1990 U.S. Census figure of 57,249.

Marion County has a total land area of 313 square miles and is bordered on the west by Wetzel County, West Virginia, on the north and east by Monongalia County, West Virginia, and on the south by Harrison and Taylor counties, West Virginia.

Marion County's leading industries and chief agricultural products are: coal, aluminum sheets, aluminum ventilation louvers and vents, fluorescent lamps, sealed-beam lamps, electric power, hydraulic pump and motor parts, livestock, hay and grain, dairying, poultry, computer software application and design, computer hardware manufacturing and other high technology industries, natural gas and telemarketing services.

Due to its location, many metropolitan areas are within reasonable traveling distance of Marion County.

Pittsburgh, Pennsylvania	-	89 miles
Charleston, West Virginia	-	136 miles
Columbus, OH	-	214 miles
Cleveland, OH	-	218 miles
Washington, DC	-	243 miles
Roanoke, VA	-	266 miles

The County is governed by, and generally acts through, The County Commission of Marion County. The present Commissioners of the County Commission, elected on a county-wide basis, are Cecily Enos, President, James E. Sago, and Cody A. Starcher.

Population

The following table represents the population of Marion County, West Virginia and the United States:

POPULATION

	Marion County		West Virginia		United States	
Year	Population	Percent Change (1)	Population	Percent Change(1)	Population	Percent Change(1)
1940	68,583	–	1,901,974	–	132,165,000	–
1950	71,521	+ 4.1%	2,005,552	+ 5.4%	151,326,000	+14.5%
1960	63,717	-10.9%	1,860,421	- 7.8%	179,323,000	+18.5%
1970	61,356	- 3.7%	1,744,237	- 6.7%	203,212,000	+13.3%
1980	65,789	+ 7.2%	1,949,644	+11.7%	226,545,805	+11.5%
1990	57,249	-13.0%	1,793,477	- 8.0%	248,709,873	+ 9.8%
2000	56,598	- 1.1%	1,808,344	+ 0.8%	281,421,906	+13.2%

(1) The percentage increase or decrease over the preceding period.

Source: U.S. Census Bureau

Commerce and Industry

There is significant industrial activity in Marion County. Various industrial firms have facilities located in the area, including North American Philips Lighting Corporation, Alcan Aluminum Corporation and several smaller companies. Within the County is the I-79 Technology Park which includes NASA and the High-Tech Consortium Building. The area is also in close proximity to the recently completed FBI fingerprint center, a major economic development for the State as well as the County.

Marion County has several well funded and staffed development organizations and business assistance programs. In addition to in-County resources, the County has a cooperative working relationship with its neighboring counties. The Marion County Chamber of Commerce is working cooperatively with the Harrison and Monongalia County Chambers to market the region, not just the individual political units.

The number of high technology public agencies and private firms now located in the area provides the foundation for increased growth. The high-tech companies include Lockheed-Martin, UNISYS, ManTech International, Electronic Warfare Associates, Computer Science Corporation, EG&G, and Hughes Information Systems. Several governmental agencies have located facilities in the region and are providing the foundation upon which technology businesses are growing. These agencies include: NASA, the FBI, The Concurrent Engineering Research Center, and the Morgantown Energy Technology Center.

Employment

The following table indicates the major employment sectors of the Marion County economy and the number of the Marion County labor force employed in each sector for the years indicated.

Marion County						
EMPLOYMENT AND UNEMPLOYMENT STATISTICS ANNUAL AVERAGES						
	1995	**1996**	**1997**	**1998**	**1999**	**2000**
LABOR FORCE STATISTICS						
Civilian Labor Force	24,180	24,650	24,440	23,670	24,410	24,720
Total Employment	22,060	22,040	22,100	21,810	22,460	23,210
Total Unemployment	2,120	2,610	2,350	1,860	1,950	1,510
Unemployment Rate	8.8	10.6	9.6	7.9	8.0	6.1
NONFARM PAYROLL EMPLOYMENT BY INDUSTRY						
Total Nonfarm Payroll	20,780	20,460	20,700	20,820	21,130	21,630
Goods Producing	4,780	4,560	4,390	4,120	3,960	3,860
Mining	1,390	1,200	1,230	1,310	990	860
Coal Mining	1,320	1,120	1,160	1,250	940	810
Construction	1,260	1,240	1,310	1,000	1,170	1,210
Manufacturing	2,130	2,120	1,850	1,810	1,790	1,780
Durable Goods	1,640	1,580	1,450	1,350	1,320	1,290
Nondurable Goods	490	530	400	460	480	490
Service Producing	16,000	15,900	16,310	16,700	17,170	17,780
Transportation and Public Utilities	1,280	1,200	1,120	1,310	1,280	1,270
Trade, Wholesale & Retail	4,670	4,530	4,430	4,390	4,450	4,460
Finance, Insurance, and Real Estate	840	810	820	800	750	690
Services	4,560	4,910	5,230	5,520	6,150	6,750
Government	4,660	4,450	4,700	4,680	4,550	4,600
Federal	570	280	510	520	400	400
State and Local	4,100	4,160	4,190	4,160	4,150	4,200

Date last revised: 05/03/2001

Source: West Virginia Bureau of Employment Programs

Listed below are the fifteen major employers in Marion County, their primary product or service and the approximate number of persons locally employed by each, as of June 26, 2001.

MAJOR EMPLOYERS

Employer	Service	Employs
Marion County Board of Education	Education	1,132
Fairmont State College	Education	800
Aegis Communications	Communications	773
Fairmont General Hospital	Medical	750
Allegheny Power	Electrical Power	566
Consolidation Coal Company	Coal	450
Shop & Save	Grocery	300
Marion County Commission	Government	250
Ruskin Manufacturing	Manufacturer	250
Wishing Well Manor & Health Center	Residential/Medical	230
Alcan Aluminum	Aluminum	225
Wal-Mart	Retail	223
City of Fairmont	Government	195
Philips Lighting Company	Electrical Fixtures	150
Sam's Club	Wholesale/Retail	146

Source: Marion County Chamber of Commerce

The following table presents statistics regarding the labor force and historical unemployment rates of Marion County, West Virginia and the United States:

UNEMPLOYMENT RATES
(Annual Average)

Year	Marion County	West Virginia	United States
1990	8.8%	8.4%	5.6%
1991	10.7	10.6	6.8
1992	14.9	11.4	7.5
1993	16.3	10.9	6.9
1994	11.2	8.9	6.1
1995	8.8	7.9	5.6
1996	10.6	7.5	5.4
1997	9.6	6.9	4.9
1998	7.9	6.6	4.5
1999	8.0	6.6	4.2
2000	6.1	5.5	4.0

Source: West Virginia Bureau of Employment Programs and
United States Department of Labor, Bureau of Labor Statistics

Transportation

Marion County is bisected by Interstate 79 which connects with Interstate 68 twenty miles to the north. Other major highways in the area include US 250, US 19, US 73, WV 218 and WV 310. The County is also 20 minutes from US 50 and only 30 minutes from Appalachian Highway - Corridor G.

Passenger air service is provided by Fairmont Municipal Airport, Benedum Airport in Bridgeport, West Virginia, 14 miles south, and Morgantown Municipal Airport, in Morgantown, West Virginia, 20 miles north. The major airport serving the County is Pittsburgh International Airport in Pittsburgh, Pennsylvania which is within a 90 minute drive.

Area rail service is provided by CSX and Norfolk & Southern railroads.

Passenger bus service is provided by Greyhound Buslines and Fairmont-Marion County Transit Authority for national and local service, respectively.

Utilities and Services

Electric service to Marion County is provided by Allegheny Power. Natural Gas service is provided by Hope Gas and Equitable Gas. Cable service is provided locally by Time Warner Cable and telephone service is provided by Verizon and Citizens Telecom.

The City of Fairmont's collection and treatment system provides sewer service to Fairmont and surrounding areas including two municipalities and four public service districts, including Kingmill Valley Public Service District. Water service is provided byThe City of Fairmont, other municipalities and local public service districts. The Marion County Solid Waste Authority sponsors a recycling program featuring 10 area drop-off points.

Medical or Health Care

Marion County is served by Fairmont General Hospital (268 beds), located in Fairmont, which operates a 24-hour emergency room, inpatient care, a range of outpatient services, a center for behavioral medicine and addiction treatment, as well as a center for skilled nursing. Both MVA Home Health and MVA Hospice of Marion County provide in-home care services to the chronically and/or terminally ill utilizing a staff of both professional and volunteer caregivers. Also, the MVA Fairmont Clinic provides quality, multispecialty health care to the residents of North Central West Virginia. There are six nursing homes located in Marion County.

Lodging Facilities

There are 16 hotels/motels and the Acacia House Bed & Breakfast and the Gillum House Bed & Breakfast serving the County's tourist and business traveler groups. Additionally, the area is home to Camp MarMac, a 120-acre park with 20 rustic cabins, and Pricketts Creek Campground serving Pricketts Fort State Park, featuring electricity and water, restrooms and shower facilities.

Located 30 minutes north off of US68 is the Lakeview Scanticon Resort and Conference Center, home to two championship golf courses overlooking Cheat Lake. Additionally, the nationally recognized Pete Dye Golf Club is located 20 minutes south off Interstate - 79 in Harrison County.

Recreational Facilities

The County is host to Pricketts Fort State Park which is home to an historic fort originally built in 1774. Additionally, Valley Falls State Park, a 1,145 acre day park along the Tygart River, offers fishing, hiking, cross country skiing and whitewater rafting within its boundaries. Also located close to the County are other West Virginia scenic and recreational areas including Blackwater Falls State Park, 3,860 acre Tygart lake created by the Tygart Dam, Cheat Lake, ski slopes of Tucker County, six other State parks and the Monongahela National Forest. Also located in the County is The Fairmont Dragway, a National Racing Association sanctioned drag strip for modern stock cars.

Educational Facilities

Marion County has 10 public elementary schools, six public middle or junior high schools, three high schools and one vocational school with a total enrollment of 8,866 in 2000. Additionally, Marion County has six private primary education schools.

There are five higher education institutions within thirty minutes of Marion County: Fairmont State College, West Virginia University, W. Va. Career College, Alderson-Broaddus College, and Salem International University. West Virginia Wesleyan is less than an hour away. These institutions provide businesses with a pool of educated workers, training and education opportunities for the existing workforce, and research and development partnerships.

Communications

News service is provided by the Times-West Virginian, a daily newspaper located in Fairmont. Other newspapers distributed in the area are the Clarksburg Exponent and Clarksburg Telegram and the Dominion Post (Morgantown), each a daily newspaper.

WTUS- FM (102.7; 103.7), WVUC-FM (93.1), WTCS-AM (1490), and WV Radio, Clarksburg are the local radio stations.

WDTV-TV: channel 5, CBS (Bridgeport), WBOY-TV: channel 12, NBC (Clarksburg), WVFX-TV: channel 46, Fox (Clarksburg), WNPB-TV: channel 24, PBS (Morgantown) are the local television stations.

Financial Institutions

Banking service in the County is provided by Huntington Bank, Monongahela Valley Bank, BB&T, the First Exchange Bank, WesBanco and the Fairmont Federal Credit Union.

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Appendix B

Audited Financial Statement for Fiscal Year Ended June 30, 2000

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AUDIT REPORT OF

KINGMILL VALLEY

PUBLIC SERVICE DISTRICT

FAIRMONT, WEST VIRGINIA

JUNE 30, 2000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

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GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone (304) 366-4295
Fax (304) 366-4311

November 9, 2000

Board of Directors
Kingmill Valley Public Service District
P.O. Box 265
Fairmont, West Virginia 26554

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying balance sheet of Kingmill Valley Public Service District as of June 30, 2000 and 1999, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of Kingmill Valley Public Service District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial position of Kingmill Valley Public Service District as of June 30, 2000 and 1999, and the results of operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated November 9, 2000 on my consideration of Kingmill Valley Public Service District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. This report is an integral part of an audit performed in accordance with Government *Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Gary K. Bennett
Certified Public Accountant

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
COMPARATIVE BALANCE SHEET

ASSETS	JUNE 30, 2000	1999
CURRENT ASSETS		
Cash	$ 64,130	$ 34,315
Accounts Receivable (Net of Allowance for Doubtful Accounts of $20,000 and $20,000 respectively)	72,554	88,527
Prepayments	3,405	1,897
Employee Advances	1,050	0
TOTAL CURRENT ASSETS	141,139	124,739
RESTRICTED ASSETS, CASH AND INVESTMENTS		
Renewal & Replacement Account	16,399	5,327
Municipal Bond Commission Funds	150,245	142,971
Upgrade Account	40,386	155,973
TOTAL RESTRICTED ASSETS	207,030	304,271
INTANGIBLE ASSETS		
Organization Costs	37,005	37,005
Bond Issue Costs	19,516	9,266
	56,521	46,271
Less Accumulated Amortization	<40,490>	<40,130>
NET INTANGIBLE ASSETS	16,031	6,141
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant in Service	6,198,245	6,084,902
Less Accumulated Depreciation	<2,118,547>	<1,979,302>
NET PROPERTY, PLANT AND EQUIPMENT	4,079,698	4,105,600
TOTAL ASSETS	$4,443,898	$4,540,751

See accompanying notes to the financial statements.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
COMPARATIVE BALANCE SHEET (CONTINUED)

LIABILITIES AND FUND EQUITY	JUNE 30, 2000	1999
CURRENT LIABILITIES		
Accounts Payable - Operations	$ 25,375	$ 43,080
Accrued Payroll and Taxes	3,293	3,178
Customer Deposits	9,315	7,050
Note Payable - Sanitary Sewer Board	1,037	1,278
TOTAL CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)	39,020	54,586
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Construction Payable	0	33,548
Accrued Interest Payable	25,296	23,327
Revenue Bonds - Series 1986-A	8,993	8,194
Revenue Bonds - Series 1986-B	2,086	2,086
Revenue Bonds - Series 2000-A	1,317	1,245
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	37,692	68,400
LONG-TERM LIABILITIES		
Note Payable - Sanitary Sewer Board	16,462	17,333
Revenue Bonds - Series 1986-A	934,946	943,939
Revenue Bonds - Series 1986-B	52,142	54,228
Revenue Bonds - Series 2000-A	180,638	181,955
TOTAL LONG-TERM LIABILITIES	1,184,188	1,197,455
TOTAL LIABILITIES	1,260,900	1,320,441
FUND EQUITY		
Contributed Capital	4,843,902	4,826,019
Retained Deficit	<1,660,904>	<1,605,709>
TOTAL FUND EQUITY	3,182,998	3,220,310
TOTAL LIABILITIES AND FUND EQUITY	$4,443,898	$4,540,751

See accompanying notes to the financial statements.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
COMPARATIVE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS

	YEAR ENDED JUNE 30, 2000	1999
OPERATING REVENUES		
Sewerage Fees	$ 424,615	$ 389,004
Surcharges	0	454
Other Sewer Revenues	512	1,996
TOTAL OPERATING REVENUES	425,127	391,454
OPERATING EXPENSES		
Sewer Treatment	115,806	115,239
Electric	16,035	13,678
Telephone	4,251	4,372
Maintenance & Repairs	15,115	13,341
Billing & Collecting	1,719	1,925
Office Expense	7,009	5,758
Directors' Fees	4,200	2,700
Audit & Accounting	4,280	2,215
Legal	1,699	1,859
Insurance	1,611	1,649
Regulatory Commission Expense	1,153	0
Depreciation	139,245	134,933
Amortization	360	232
Miscellaneous	745	603
Operation Labor	43,854	38,821
Office Labor	16,147	12,406
Payroll Taxes	7,027	6,192
Permits	575	584
Rent	4,749	3,600
EPA Fine	2,500	0
TOTAL OPERATING EXPENSES	388,080	360,107
OPERATING INCOME	37,047	31,347
NONOPERATING REVENUES <EXPENSES>		
Interest Income	8,605	8,888
Restitution Income	3,526	0
Interest Expense	<104,373>	<95,053>
NET NONOPERATING EXPENSES	<92,242>	<86,165>
NET LOSS	<55,195>	<54,818>
RETAINED DEFICIT AT BEGINNING OF YEAR	<1,605,709>	<1,550,891>
RETAINED DEFICIT AT END OF YEAR	$<1,660,904>	$<1,605,709>

See accompanying notes to the financial statements.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30, 2000	1999
OPERATING ACTIVITIES		
Operating Income <Loss>	$ 37,047	$ 31,347
Adjustments to Reconcile Operating Income <Loss> to Net Cash Provided by Operating Activities		
Depreciation and Amortization	139,605	135,165
<Increase> Decrease in:		
Accounts Receivable	15,973	<10,354>
Prepayments	<1,508>	<798>
Increase <Decrease> in:		
Accounts Payable and Accrued Expenses	<51,138>	<19,413>
NET CASH PROVIDED BY OPERATING ACTIVITIES	139,979	135,947
INVESTING ACTIVITIES		
Purchase of Property and Equipment	<123,593>	<53,838>
Decrease in Restricted Cash	97,241	<134,709>
Contributed Capital	17,883	<3,370>
Interest Received	8,605	8,888
NET CASH PROVIDED <USED> BY INVESTING ACTIVITIES	136	<183,029>
CAPITAL FINANCING ACTIVITIES		
Loan Received	0	183,200
Debt Principal Reduction	<12,637>	<14,088>
Employee Advances	<1,500>	0
Repayment of Employee Advances	450	0
Interest Paid	<102,317>	<94,720>
NET CASH PROVIDED <USED> BY CAPITAL FINANCING ACTIVITIES	<116,004>	74,392
NONCAPITAL FINANCING ACTIVITIES		
Customer Deposits	2,265	1,707
Restitution Payments	3,526	0
Interest Paid	<87>	<76>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,704	1,631
NET INCREASE IN CASH	29,815	28,941
CASH AT BEGINNING OF YEAR	34,315	5,374
CASH AT END OF YEAR	$ 64,130	$ 34,315

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Kingmill Valley Public Service District is a publicly owned organization established by the Marion County Commission to provide sewage service to a specific geographical area. Its principal source of revenue is from sewage fees.

Basis of Accounting - The financial statements of the Kingmill Valley Public Service District have been prepared on an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Cash - Cash is on deposit with financial institutions that are FDIC insured. For the purposes of the statements of cash flows, the District considers highly liquid investments (excluding restricted assets) with an original maturity of three months or less when purchased to be cash and cash equivalents.

Accounts Receivable - Customers - The District uses the allowance method of recognizing bad debts and a provision of $20,000 and $20,000 have been established for uncollectible accounts at June 30, 2000 and 1999, respectively.

Amortization - Organization costs of $37,005 were amortized over a five year period. Bond issue costs are being amortized on a straight line basis over the life of the bonds - 40 years. Amortization expense of $360 has been recognized for this fiscal year.

Prepayments - This account includes prepaid insurance based on effective dates of the policies and the West Virginia Workers' Compensation Deposit.

Income Taxes - The Kingmill Valley Public Service District is exempt from federal and state income taxes as a political subdivision of county government.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

FASB Pronouncements - Financial Accounting Standards Board pronouncements issued after November 30, 1989 have not been followed in preparing Kingmill Valley Public Service District's financial statements.

NOTE 2. RESTRICTED ASSETS - REVENUE BOND RESOLUTION

The Revenue Bond Resolution with the West Virginia Water Development Authority requires the establishment of three special funds with the Municipal Bond Commission. Briefly, the nature of these requirements and limitation of these funds are as follows:

Sinking Fund - The sinking fund is used to insure the payment of principal and interest on the bonds. The resolution requires a monthly payment into the sinking fund of 1/6 of the interest due on the next semi-annual interest payment date and 1/12 of the principal due on the annual principal payment date (approximately $10,455 per month - Series 1986-A $8,419, Series 1986-B $174 and Series 2000-A $1,862) less earnings transferred from the reserve account and investment earnings on sums previously deposited in the sinking fund.

NOTE 2. RESTRICTED ASSETS - REVENUE BOND RESOLUTION (Cont.)

Reserve Fund - The reserve fund is used to make up any deficiency in the payments of principal and interest when other monies in the sinking fund are insufficient to pay the semi-annual interest and annual principal requirement. The resolution requires a monthly payment into the reserve fund of 1/120 of the reserve requirement (reserve requirement - Series A $101,027-monthly payment $8,419 / reserve requirement - Series B $2,086-monthly payment $174 / reserve requirement - Series 2000 A $11,832-monthly payment $1,862) until an amount equal to the reserve requirement is met.

Renewal and Replacement Fund - The renewal and replacement fund is to be used for replacements, emergency repairs, improvements or extensions to the system and to eliminate deficiencies in the reserve fund. The resolution requires monthly payments of 2 1/2% of the gross monthly revenue less payments to the reserve fund.

NOTE 3. PROPERTY, PLANT, AND EQUIPMENT AND DEPRECIATION

Property, Plant, and Equipment - Property, Plant, and Equipment are recorded at original cost. The changes in fixed assets during the fiscal year were as follows:

Fixed Assets	Balance 6/30/99	<Deletions> Additions	Balance 6/30/00
Land and Land Rights	$ 81,473	$ 0	$ 81,473
Collection and Transportation	4,948,189	7,658	4,955,847
Pump Stations	601,731	160,995	762,726
Flow Measuring Equipment	156,192	0	156,192
Pumps and Pumping Equipment	69,438	5,841	75,279
Generators	135,851	0	135,851
Small Tools	4,312	192	4,504
Office Equipment	9,122	1,748	10,870
Storage Building	5,600	0	5,600
Construction in Progress	72,994	<72,994>	0
Transportation Equipment	0	9,903	9,903
Totals	$6,084,902	$113,343	$6,198,245

Depreciation Expense - Depreciation expense of $139,245 has been recognized for this fiscal year. Depreciation is determined using the straight-line method. The useful lives employed in the computation of depreciation expense are as follows:

Collection and Transportation	50 years	2%
Pump Stations	25 years	4%
Flow Measuring Equipment	10 years	10%
Pumps and Pumping Equipment	5 years	20%
Generators	6.67 years	15%
Small Tools	5 years	20%
Office Equipment	5 years	20%
Storage Building	15 years	6.67%
Transportation Equipment	5 years	20%

NOTE 4. LONG-TERM DEBT - REVENUE BONDS

Kingmill Valley Public Service District, by resolution dated June 10, 1986 and June 15, 1999, authorized two (2) series of revenue bonds. All bonds were purchased by the West Virginia Water Development Authority.

Series A - Sewer Revenue Bonds, Series 1986-A, were issued June 10, 1986 for $1,008,657 bearing interest at 9.75% with annual payments of principal and interest of $101,027 until 2025. The Series 1986-A Bonds are senior with respect to the statutory lien.

Series B - Sewer Revenue Bonds, Series 1986-B, were issued June 10, 1986 for $81,343 bearing no interest with annual payments of principal of $2,086 until 2025.

Series 2000-A - Sewer Revenue Bonds, Series 2000-A, were issued June 15, 1999 for $183,200 bearing interest at 5.8% with semiannual payments of principal and interest which ranged from $8,211.08 to $3,659.08 until 2038.

The Bonds are secured by a statutory mortgage lien on the system, improvements to the system, and net revenues.

	Original Issue	Balance 6/30/99	Principal Paid	Balance 6/30/00
Series 1986-A	$1,008,657	$ 952,133	$ 8,194	$ 943,939
Series 1986-B	81,343	56,314	2,086	54,228
Series 2000-A	183,200	183,200	1,245	181,955
Totals	$1,273,200	$1,191,647	$ 11,525	$1,180,122

Maturities of the bonds payable in each of the next five years and thereafter are as follows:

	Series 1986-A	Series 1986-B	Series 2000-A	Total
2001	8,993	2,086	1,317	12,396
2002	9,870	2,086	1,393	13,349
2003	10,833	2,086	1,474	14,393
2004	11,889	2,086	1,559	15,534
2005	13,048	2,086	1,650	16,784
Thereafter	889,306	43,798	174,562	1,107,666
	$943,939	$ 54,228	$181,955	$1,180,122

NOTE 5. NOTE PAYABLE - SANITARY SEWER BOARD

An agreement between the District and the Fairmont Sanitary Sewer Board provided that the Sewer Board would purchase and install four (4) new flow meters for the District. The cost of the meters was then to be reimbursed by the District. A credit of overcharges for sewer treatment in prior years was applied to the meter costs and the remaining balance was financed as follows:

Cost of Flow Meters	$ 45,713
Credit of Treatment Costs	<24,566>
Amount Financed	$ 21,147
Interest Rate	7%
Term	15 3/4 years
Monthly Payments	$185

	Original Note	Balance 6/30/99	Principal Payments	Balance 6/30/00
Sanitary Sewer Board	$ 21,147	$18,611	$ 1,112	$ 17,499

The maturity of the note in each of the next five years and thereafter is as follows:

2001	$ 1,027
2002	1,102
2003	1,181
2004	1,267
2005	1,358
Thereafter	11,564
	$ 17,499

NOTE 6. LEASE

On May 1, 1999, the District entered into a lease agreement with Thomas E. Heston. The lease agreement calls for monthly payments of $100 for the next five years. Lease may be renewed for additional periods of time as agreed upon by both parties.

NOTE 7. SYSTEM USERS

As of June 30, 2000, Kingmill Valley Public Service District served a total of 1,234 users (1,158 residential and 76 commercial). All sewerage treatment for the District is performed by the City of Fairmont. Expenditures for the treatment of sewage amounted to $115,806 and $115,239 at June 30, 2000 and 1999, respectively.

NOTE 8. COMPENSATED ABSENCES

Compensated absences for vacation and sick time have not been accrued because the amount cannot be reasonably estimated.

NOTE 9. BOARD OF DIRECTORS

The board members for the fiscal year ended June 30, 2000 were as follows:

Betty Waggoner	Chairperson
William Fleming	Secretary
John Conaway	Treasurer

NOTE 10. GOING CONCERN

On October 21, 1999, Kingmill Valley Public Service District filed a resolution with the County Commission of Marion County proposing the dissolution of Kingmill Valley Public Service District and the sale of all its assets, rights, property, and facilities to the City of Pleasant Valley. As of the report date, no order has been issued by the Marion County Commission on the matter.

NOTE 11. RESTITUTION INCOME

Based on audit findings and communications, the Board of Directors of Kingmill Valley Service District became aware of a misappropriation of cash. During the two years ended June 30, 1998 the former employee was prosecuted and will be required to make restitution to the District in the amount of $14,947.09. Payments required are $200.00 per month and will continue through March 2005. The balance owed at June 30, 2000 was $11,747.09. This is not recorded on the books of the District because collection is unlikely.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone (304) 366-4295
Fax (304) 366-4311

November 9, 2000

Board of Directors
Kingmill Valley Public Service District
P.O. Box 265
Fairmont, West Virginia 26554

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

I have audited the financial statements of Kingmill Valley Public Service District as of and for the year ended June 30, 2000 and have issued my report thereon dated November 9, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kingmill Valley Public Service District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. Reportable conditions are described in the Schedule of Findings and Reportable Conditions as Item 99-1, 99-2, and 99-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Kingmill Valley Public Service District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Kingmill Valley Public Service District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Reportable Conditions as Item 99-4 and 99-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness.

This report is intended for the information of management, the Board of Directors of Kingmill Valley Public Service District and the Public Service Commission of West Virginia. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Gary K. Bennett
Certified Public Accountant

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND REPORTABLE CONDITIONS
FOR THE YEAR ENDED JUNE 30, 2000

99-1

CONDITION: District made purchases of flowers during the fiscal year.

CRITERIA: Review of the cash disbursements revealed that the District had purchased flowers in violation of WV Code Section 11-8-26 during the fiscal year.

EFFECT: The purchase of flowers is considered to be an expenditure of funds for a nonpublic purpose, and therefore, is not authorized.

RECOMMENDATION: The Board of Directors are directed to refrain from expending public funds for the purchase of flowers for specific individuals. Also, those Board Members who authorized the expenditures may be required to personally reimburse the District for the amount of expenditures.

99-2

CONDITION: The District paid employees bonuses over twenty-five dollars without making required tax withholding.

CRITERIA: Review of the cash disbursements revealed that the District paid bonuses to employees over twenty-five dollars without withholding Social Security Medicare. This is in violation of the Internal Revenue Code.

EFFECT: The District has misstated wages paid to employees and under reported payroll taxes.

RECOMMENDATION: The District should treat all amounts paid to employees as wages and withhold required payroll taxes.

99-3

CONDITION: District paid expenses of an employee during the fiscal year. These are being repaid by the employee but are considered as a salary advance to the employee.

CRITERIA: Review of cash disbursements revealed that the Board had paid a salary advance to an employee in the amount of $1,500 during the fiscal year. The employee is repaying the advance at a rate of fifty dollars each month. This is in violation of WV Attorney General Opinion 221.

EFFECT: The District has made an expenditure for wages prior to services being rendered in violation of WV Attorney General's Opinion 221.

RECOMMENDATION: The District should refrain from making any further salary advances.

99-4 SEGREGATION OF DUTIES

CONDITION: Responsibility for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction is not assigned to separate individuals.

CRITERIA: Analysis of the internal control system indicated a lack of segregation of duties.

EFFECT: Because of the failure to segregate duties, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

RECOMMENDATION: Responsibilities of approval, execution, recording and custody should be distributed among the office staff to the best degree possible. However, I recognize that complete segregation of duties is not economically feasible for the Club.

99-5 PROVIDING SUPPORTING DOCUMENTAION FOR EXPENDITURES

CONDITION: Invoices were in disarray and many were lost or misplaced.

CRITERIA: Analysis of the internal control system indicated lack of proper filing system.

EFFECT: Because of the failure to have a proper filing system, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected.

RECOMMENDATION: A separate filing cabinet for expenditures should be maintained with individual folders for each vendor placed in the cabinet in alphabetical order. The receipts should be placed in the folder as received.

Appendix C

Proposed Form of Bond Counsel Opinion

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[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Approving Opinion of Bond Counsel)

September 13, 2001

$_____
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Kingmill Valley Public Service District
Fairmont, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Kingmill Valley Public Service District (West Virginia) (the "Issuer") of its $_____ in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on September _____, 2001, as supplemented by a Supplemental Resolution duly adopted by the Issuer on September _____, 2001 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated September _____, 2001, upon original issuance, mature on October 1 in years and amounts and bear interest payable each April 1 and October 1, commencing October 1, 20_____, as follows:

Maturity	Amount	Interest Rate
200_____	$_____	_____
200_____	$_____	_____
200_____	$_____	_____
200_____	$_____	_____
200_____	$_____	_____

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

The Resolution provides that the issue is for the purposes of paying a portion of the costs necessary to (i) currently refund all of the Issuer's outstanding Sewer Revenue Bonds, Series 1986 A, dated June 12, 1986, issued in the original aggregate principal amount of $1,008,657, of which $925,076 is presently outstanding (the "Series 1986 A Bonds"); (ii) fund a reserve account for the Bonds; (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding; and (iv) pay the costs of acquisition and construction of certain additions, betterments and improvements to the System.

The Bonds have been sold to Ferris, Baker Watts, Incorporated (the "Purchaser"), pursuant to a Bond Purchase Agreement dated September _____, 2001, and accepted by the Issuer (the "Purchase Agreement").

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

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

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

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure

Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

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

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

5. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2001. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

7. The Series 1986 A Bonds have been paid within the meaning and with the effect expressed in the 1986 Resolution, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1986 A Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the West Virginia Municipal Bond Commission relating to the sufficiency of the moneys and securities on deposit in the Series 1986 A Bonds Sinking Fund to provide for the payment on October 1, 2001 of the principal of and interest on the Series 1986 A Bonds and the redemption premium as determined by the Registered Owner of the Series 1986 A Bonds.

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

9. The Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with the Issuer's Sewer Revenue Bonds, Series 1986 B, dated June 12, 1986, and Sewer Revenue Bonds, Series 1999 A (West Virginia Water Development Authority), dated June 15, 1999, all in accordance with the terms of the Bonds and the Resolution.

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

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

Appendix D

Summary of Certain Provisions of the Resolution

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provision of the Resolution. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Resolution, copies of which may be obtained from the Underwriter. Capitalized terms used herein and not otherwise defined shall have the same meanings as defined in the Resolution.

Application of the 2001 A Bond Proceeds

All interest accrued on the Series 2001 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2001 A Bonds Sinking Fund and applied to payment of interest on the Series 2001 A Bonds at the first interest payment date.

An amount of the proceeds of the Series 2001 A Bonds which, together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Series 1986 A Bonds (which amount shall be set forth in the Supplemental Resolution) shall be deposited in the Series 1986 A Bonds Sinking Fund.

An amount of the proceeds of the Series 2001 A Bonds equal to the Series 2001 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2001 A Bonds Reserve Account; provided that, to the extent the Series 2001 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, proceeds of the Series 2001 A Bonds shall be deposited in the Series 2001 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2001 A Bonds Reserve Requirement.

An amount of the proceeds of the Series 2001 A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the District solely to pay costs of issuance of the Series 2001 A Bonds and miscellaneous costs of refunding the Series 1986 A Bonds at the written direction of the District. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the District to the Series 2001 A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

The balance of any proceeds of the Series 2001 A Bonds and any moneys in any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, not used for any of the purposes set forth above, shall be deposited in the Construction Fund and shall be drawn out, used and applied by the District solely to pay the costs of acquisition and construction of certain improvements and extensions to the System (the "Project"). All such costs of the Project shall be paid within 6 months of the Closing Date. Moneys not to be applied immediately to pay such costs of the Project may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

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Application of System Revenues

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

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

(2) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1986 B Bonds Sinking Fund, the amounts required by the 1986 Resolution to pay the interest, if any, on and the principal of the Series 1986 B Bonds; (ii) for deposit in the Series 1999 A Bonds Sinking Fund, the amounts required by the 1999 Resolution to pay the interest, if any, on and the principal of the Series 1999 A Bonds; (iii) commencing 6 months prior to the first interest payment date on the Series 2001 A Bonds, for deposit in the Series 2001 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2001 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2001 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2001 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2001 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2001 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2001 A Bonds Sinking Fund; and (iv) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2001 A Bonds, for deposit in the Series 2001 A Bonds Sinking Fund, and in the Series 2001 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2001 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2001 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further,

that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2001 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1986 B Bonds Reserve Account the amount required by the 1986 Resolution; (ii) for deposit in the Series 1999 A Bonds Reserve Account the amount required by the 1999 Resolution; and (iii) for deposit in the Series 2001 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2001 A Bonds Reserve Account below the Series 2001 A Bonds Reserve Requirement or any withdrawal from the Series 2001 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2001 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2001 A Bonds Reserve Account is less than the Series 2001 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2001 A Bonds Reserve Account for deposit into the Series 2001 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2001 A Bonds Reserve Account to an amount equal to the Series 2001 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2001 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2001 A Bonds Reserve Requirement.

(4) The District shall next, from the moneys remaining in the Revenue Fund (as previously set forth in the 1986 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the District or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2001 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2001 A Bonds as the same shall become due, whether by maturity

or redemption prior to maturity. Amounts in the Series 2001 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2001 A Bonds when due, when amounts in the Series 2001 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The District shall not be required to make any further payments into the Series 2001 A Bonds Sinking Fund or the Series 2001 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2001 A Bonds issued pursuant to the Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2001 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2001 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the Series 2001 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of the Resolution.

The District shall restore any withdrawals from the Series 2001 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2001 A Bonds Reserve Requirement from the first Net Revenues available after all required payments have been made in full in the order set forth above.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 1986 B Bonds, the Series 1999 A Bonds and the Series 2001 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2001 A Bonds Sinking Fund and the Series 2001 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the District at the times provided therein.

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.

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

The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as provided in the Resolution, 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 therein shall be in the same order as payments are to be made pursuant to the Resolution, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

Investments

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

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

The following specific provisions shall apply with respect to any investments made under the Resolution:

(A) Qualified Investments acquired for the Series 2001 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to semiannually transfer from the Series 2001 A Bonds Reserve Account to the Series 2001 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefor; provided, however, that there shall at all times remain on deposit in the Series 2001 A Bonds Reserve Account an

amount at least equal to the Series 2001 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2001 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2001 A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefor, the Bond Insurer, if any, shall be notified immediately of such deficiency, such deficiency shall be made up from the first available Net Revenues in the order set forth in the Resolution

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2001 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2001 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

General Covenants

Operation and Maintenance

The District 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.

Sale of the System

So long as the Series 1986 B Bonds and the Series 1999 A Bonds are outstanding, the District shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds. Additionally, so long as the Series 2001 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease the Resolution in accordance with the Resolution. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2001 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2001 A

Bonds Sinking Fund, and the District shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 2001 A Bonds. Any balance remaining after the payment of the Series 2001 A Bonds and interest thereon shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of the revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided therein 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 District shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and 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 District 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 District to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of the Resolution. No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The District shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of
Revenues and General Covenant Against Encumbrances

The District 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 2001 A Bonds. All obligations issued by the District after the issuance of the Series 2001 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2001 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be

made into all funds and accounts set forth therein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2001 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2001 A Bonds and the interest thereon, if any, in the Resolution, or upon the System or any part thereof.

Additional Parity Bonds and Subordinate Debt

So long as the Series 1986 B Bonds and the Series 1999 A Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds 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 2001 A Bonds pursuant to the Resolution, except under the conditions and in the manner therein provided (unless less restrictive than the provisions of the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds).

All Parity Bonds issued under the Resolution shall be on a parity in all respects with the Series 2001 A Bonds.

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

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

(1) The Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

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

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

Not later than simultaneously with the delivery of such Parity Bonds, the District 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 the Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with the Resolution. 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 District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2001 A Bonds on such revenues. The District shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in the Resolution, equally, as to lien on and source of and security for payment from such revenues, with the Series 2001 A Bonds.

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

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

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

Insurance and Bonds

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

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

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

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

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

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

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

No Free Services

The District 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 District or any department, agency, instrumentality, officer or employee thereof shall avail himself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be

deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Enforcement of Collections

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

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

No Competing Franchise

To the extent legally allowable, the District will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Books and Records

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

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the District. Subsidiary records as may be required shall be kept in the manner, on the

forms, in the books and along with other bookkeeping records as prescribed by the District. The District 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 District shall be reported to such agent of the District as it shall direct.

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

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

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System.

(B) A statement of account balances in all funds and accounts provided for therein and status of said funds.

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

Operating Budget

The District shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the District shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser, the Bond Insurer, if any, and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

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 District 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 District and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Statutory Mortgage Lien

For the further protection of the Holders of the Series 2001 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2001 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds.

Merger, Consolidation or Acquisition of District

The District may, without the consent of the holders of the Series 2001 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2001 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the Issuer first obtains a written statement by an Independent Certified Public Accountant that the merged, consolidated or acquiring entity will, immediately following such merger, consolidation or acquisition, satisfy the test for the issuance of additional parity bonds set forth in the Resolution.

Events of Default

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2001 A Bonds;

(B) If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any Supplemental Resolution or in the Series 2001 A Bonds contained, and such default shall have continued for a period of 30 days after

written notice specifying such default and requiring the same to be remedied shall have been given to the District by any Bondholder or any Bond Insurer;

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

(D) If default occurs with respect to the Series 1986 B Bonds and the Series 1999 A Bonds or the resolutions authorizing the Series 1986 B Bonds and the Series 1999 A Bonds.

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

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

Enforcement

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

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

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

(C) Bring suit upon the Bonds;

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

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

No remedy by the terms of the Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2001 A Bonds shall be on a parity with those of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds.

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

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

Appointment of Receiver

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

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

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

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

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

in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

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

Defeasance; Discharge of Pledge of Resolution

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2001 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the District on behalf of the Holders of the Series 2001 A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes.

The Series 2001 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the Series 2001 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2001 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the Series 2001 A Bonds on and prior to the maturity date thereof, or if the District irrevocably determines to redeem any of the Series 2001 A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 2001 A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on the Series 2001 A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Supplemental Resolution.

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Amendment

No materially adverse amendment or modification to the Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2001 A Bonds then Outstanding and affected thereby and such Bond Insurer, which must be filed with the District before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2001 A Bond without the express written consent of the Holder of each Series 2001 A Bond so affected, nor reduce the percentage of Series 2001 A Bonds required for consent to any such modification or amendment.

08/28/01
483960/00001

NEW ISSUE - FULL BOOK ENTRY

In the opinion of Bond Counsel, under existing laws, regulations, published rulings and judicial decisions, the interest on the Series 2001 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (iii) under the laws of the State of West Virginia, the Series 2001 A Bonds are exempt from taxation by the State of West Virginia, and the other taxing bodies of the State and the interest on the Series 2001 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia (see "Tax Matters" herein).

$1,130,000
KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Dated: September 1, 2001 **Due: October 1 , as shown below**

The Series 2001 A Bonds shall be issued only as fully registered Bonds, and when initially issued, will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book entry form only and beneficial owners of the Series 2001 A Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Series 2001 A Bonds, payments of the principal of and interest on such Series 2001 A Bonds will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "THE SERIES 2001 A BONDS Book Entry Only System" herein).

The Series 2001 A Bonds are being issued to provide funds, together with other moneys available therefor, to refund certain outstanding sewer revenue bonds of Kingmill Valley Public Service District (the "District"); to fund a reserve account; and to pay certain costs of issuance and related costs.

The Series 2001 A Bonds are payable from and secured by the net revenues derived from the existing sewerage collection system of the District and any additions, betterments and improvements thereto and from funds on deposit in the Sinking Fund created therefor, including the Reserve Account established therein. The Series 2001 A Bonds do not constitute a corporate indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Series 2001 A Bonds, any premium or the interest thereon except from such net revenues and such funds on deposit. Neither the credit nor the taxing power, if any of the District shall be deemed to be pledged to, nor shall a tax ever be levied for, the payment of the principal of or the premium, if any, or interest on the Series 2001 A Bonds. The District has no taxing powers.

The Series 2001 A Bonds are subject to redemption prior to maturity as more fully stated herein.

The District has designated the Series 2001 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. In the opinion of Bond Counsel, the Series 2001 A Bonds are "qualified tax-exempt obligations," and the provision of the Code which disallows the deductibility of all interest expense payable by financial institutions on debt incurred or continued to purchase or carry most tax-exempt obligations does not apply to the Series 2001 A Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2001 A Bonds will be deductible for federal income tax purposes.

United National Bank, Charleston, West Virginia, is Registrar and the West Virginia Municipal Bond Commission, Charleston, West Virginia, is Paying Agent. Interest on the Series 2001 A Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2002. Principal of the Series 2001 A Bonds is payable on each October 1 in accordance with the following schedule:

AMOUNTS, MATURITIES AND INTEREST RATES

$520,000 5.80% Term Bonds, Due October 1, 2016 at 100%
$610,000 6.10% Term Bonds, Due October 1, 2025 at 100%

(Accrued interest to be added)

The Series 2001 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the District by James O. Watkins, Jr., Esq, Fairmont, West Virginia, counsel to the District. Certain legal matters will be passed upon for the Underwriter by Jackson & Kelly PLLC, Charleston, West Virginia, as counsel to the Underwriter. It is expected that the Series 2001 A Bonds will be available for delivery at DTC, New York, New York, on or about September 13, 2001.

FERRIS, BAKER WATTS, INCORPORATED

Dated: September 6, 2001

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

PUBLIC SERVICE BOARD

Betty Waggoner, Chairman
William Fleming, Secretary
John Conaway, Treasurer

ADMINISTRATION

Edd Abbadini, General Manager

BOND COUNSEL

Steptoe & Johnson PLLC
Charleston, West Virginia

COUNSEL TO THE DISTRICT

James O. Watkins, Jr., Esq.
Fairmont, West Virginia

UNDERWRITER

Ferris, Baker Watts, Incorporated
Charleston, West Virginia
Baltimore, Maryland

UNDERWRITER'S COUNSEL

Jackson & Kelly PLLC
Charleston, West Virginia

OFFICIAL STATEMENT

relating to

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
Sewer Refunding Revenue Bonds, Series 2001 A

September 6, 2001

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Kingmill Valley Public Service District (the "District"), the District's sewerage collection system hereinafter described and defined and the District's $1,130,000 in aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"). The Series 2001 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and a bond resolution and supplemental resolution adopted by the Board of the District on September 6, 2001 (the "Resolution").

The proceeds of the Series 2001 A Bonds, together with other funds available therefor, will be used as follows: (i) to refund the District's Sewer Revenue Bonds, Series 1986 A, issued pursuant to a resolution dated June 10, 1986 (the "1986 Resolution"), originally issued in the aggregate principal amount of $1,008,657 and presently outstanding in the aggregate principal amount of $934,946 (the "Series 1986 A Bonds"); (ii) to fund a reserve account (the "Reserve Account") in the sinking fund (the "Sinking Fund") established with the West Virginia Municipal Bond Commission for the Series 2001 A Bonds in an amount equal to the maximum amount of principal and interest which will come due on the Series 2001 A Bonds in any year; and (iii) to pay certain costs of issuance of the Series 2001 A Bonds and related costs.

In addition to the Series 1986 A Bonds, the District currently has outstanding its Sewer Revenue Bonds, Series 1986 B, dated June 10, 1986, issued pursuant to the 1986 Resolution, originally issued in the aggregate principal amount of $81,343, and presently outstanding in the aggregate principal amount of $52,143 (the "Series 1986 B Bonds"); and its Sewer Revenue Bonds, Series 1999 A, dated June 15, 1999, issued pursuant to a resolution dated June 14, 1999, originally issued in the aggregate principal amount of $183,200, and presently outstanding in the aggregate principal amount of $180,638 (the "Series 1999 A Bonds") collectively, hereinafter called the "Prior Bonds." The resolutions pursuant to which the Prior Bonds were issued are hereinafter collectively called the "Prior Resolutions."

FINANCING PLAN

The Series 2001 A Bonds are being issued for the primary purpose of refunding the District's Series 1986 A Bonds. The Series 1986 A Bonds will be redeemed on their first redemption date, being October 1, 2001. The refunding is being undertaken to effect a savings in aggregate debt service for the District. The moneys required to prepay the Series 1986 A Bonds will be deposited with the West Virginia Municipal Bond Commission (the "Commission"). The Commission will hold the money in trust for the payment of the Series 1986 A Bonds and for the benefit of the holders thereof.

Prior to the issuance of the Bonds, the District shall receive approval of the refunding plan from the Public Service Commission of West Virginia (the "PSC").

Concurrently with the delivery of the Series 2001 A Bonds, the District will apply certain funds from the proceeds of sale of the Series 2001 A Bonds, together with other funds available therefor, to the defeasance of the Series 1986 A Bonds. The cash deposited therein, will be sufficient to pay (1) the principal outstanding on October 1, 2001 (including bondholder adjustment), (2) the redemption price of 102% of the aggregate principal amount of Series 1986 A Bonds remaining outstanding on October 1, 2001, and (3) the interest due on the Series 1986 A Bonds on October 1, 2001.

Upon the deposit of cash with the Commission, the pledge of Net Revenues, the moneys in the funds and accounts created under the 1986 Resolution pursuant to which the Series 1986 A Bonds were issued and any other funds pledged by the 1986 Resolution for the Series 1986 A Bonds will be discharged and satisfied, provided that the Prior Bonds will continue to be secured by the Prior Resolutions.

Estimated Sources and Uses of Funds

Sources of Funds		
Principal Amount of Bonds		$ 1,130,000.00
Moneys Available from the District (1)		101,027.00
Accrued Interest		2,245.67
	TOTAL	$ 1,233,272.67
Uses of Funds		
Cash Deposit to Commission		$ 1,060,800.00
Deposit to Reserve Account (2)		93,010.00
Underwriter's Discount		33,900.00
Costs of Issuance		43,317.00
Accrued Interest		2,245.67
	TOTAL	$ 1,233,272.67

Book-Entry Bonds

The Series 2001 A Bonds will be available to individual purchasers in book-entry form only. Purchasers of the Series 2001 A Bonds will not receive certificates representing their interests in the Series 2001 A Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York will act as securities depository ("Securities Depository") for the Series 2001 A Bonds ("Securities"). The Series 2001 A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2001 A Bond will be issued for each issue of the Series 2001 A Bonds each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need of physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange LLC, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities in DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

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

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

For every transfer and exchange of the Series 2001 A Bonds, the Registrar may charge DTC, and DTC may charge the Participants and the Participants may charge the Beneficial Owners, sums sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

In the event the District determines that it is in the best interest of the Beneficial Owners that they may be able to obtain Series 2001 A Bond certificates, the District may notify DTC and the Registrar, whereupon DTC will notify the Participants, of the availability through DTC of Series 2001 A Bond certificates. In such event, the Registrar shall cause to be issued, transferred and exchanged Series 2001 A Bond certificates as requested by DTC as Bondholder in appropriate amounts. DTC may determine to discontinue providing its service with respect to the Series 2001 A Bonds at any time by giving notice to the District and the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor Securities Depository), the District and the Registrar shall be obligated to deliver Series 2001 A Bond certificates as described in the Resolution. In the event the Series 2001 A Bond certificates are issued, the provisions of the Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal or redemption price of and interest on such Series 2001 A Bond certificates. Whenever DTC requests the District and the Registrar to do so, the Registrar and the District will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2001 A Bonds to any Participant having the Series 2001 A Bonds credited to its DTC account or (b) to arrange for another Securities Depository to maintain custody of certificates evidencing the Series 2001 A Bonds.

Optional Redemption

Beginning on October 1, 2011 the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Notice of redemption will be given to the registered owner or owners of the Bonds by the State by first class mail, postage prepaid, at least 30 days and not more than 60 days, prior to the date fixed for redemption.

SECURITY FOR THE SERIES 2001 A BONDS

The Series 2001 A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2001 A Bonds except from said sources.

Sources of Payment

The payment of the debt service on the Series 2001 A Bonds and the Prior Bonds shall be secured equally and ratably by a lien on the Net Revenues derived from the System. Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2001 A Bonds and the Prior Bonds and to make the payments into the Sinking Fund and all other payments provided for in the Resolution, and the funds in the Sinking Fund are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2001 A Bonds and Prior Bonds as the same become due and for the other purposes provided in the Resolution.

Rate Covenant

The District covenants and agrees in the Resolution that the schedule of rates and 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 and interest, if any, on the Series 2001 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2001 A Bonds, including the Prior Bonds.

Reserve Account

Pursuant to the Resolution there will be created with the Commission, the Series 2001 A Bonds Reserve Account established in the Sinking Fund, in an amount equal to the Series 2001 A Bonds Reserve Requirement. The "Series 2001 A Bonds Reserve Requirement" is defined under the Resolution as the maximum amount of principal and interest which will come due on the Series 2001 A Bonds in any year, assuming that the principal of any Term Bond is deemed due on the earlier of its stated maturity date or the date on which it is required to be redeemed pursuant to mandatory sinking fund redemption. Moneys in the Reserve Account shall be used only to pay principal of and interest on the

As described under "Sources of Payment" above, the Series 2001 A Bonds and the Prior Bonds are secured by a first parity lien on the Net Revenues of the System.

Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State. Under the Act, as hereinafter defined, all such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

The District further covenants and agrees that it will, to the full extent permitted by law and regulations promulgated by the PSC, discontinue and shut off the services and facilities of the System and any services and facilities of the waterworks system, if so owned by the District, to all delinquent users of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is not owned by the District, the District shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the PSC and all rules, regulations and orders of the PSC. (See "THE SYSTEM - Customer Statistics.")

Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on a parity with the Series 2001 A Bonds (limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable) with respect to their lien on the Net Revenues of the System and their source of and security for payment from said Net Revenues (the "additional parity Bonds") for the following purposes and under the following conditions:

> No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any series of Bonds, or both such purposes.
>
> No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate

THE SYSTEM

History and Development

Kingmill Valley Public Service District was created by order of The County Commission of Marion County (the "County Commission") in 1966 to provide sewerage service to designated unincorporated areas of Marion County. Other sewerage service providers in the County are City of Fairmont, Town of Barrackville, Town of Monongah, Colfax Public Service District, Four States Public Service District, Greater Marion Public Service District, Greater Paw Paw Public Service District, Mannington Public Service District and Whitehall Public Service District. The District operates a collection system only. Construction of the District's first project began in 1986 financed with the proceeds of the Series 1986 A Bonds, the Series 1986 B Bonds and a United States Environmental Protection Agency grant. Since 1986, the District has focused on upgrading the system, and in 1999 completely rebuilt three pump stations with the proceeds of the Series 1999 A Bonds. The District's sewage is treated at the City of Fairmont treatment plant under a 40 year agreement which was approved by the PSC in 1984.

Public Service Board

The District is governed by a three-member Public Service Board, the members of which are appointed by the County Commission for staggered six year terms. Annually at the first calendar year meeting, the Board must elect officers including a Chairman, a Secretary and a Treasurer. The Secretary and Treasurer need not be members of the Board. The Board members, officers, terms and occupations are listed below:

Board	Term	Occupation
Betty Waggoner, Chairman	10/2/96 to 10/1/02	Retired
William Fleming, Secretary	5/28/99 to 10/1/04	Retired
John Conaway, Treasurer	10/2/00 to 10/1/06	Administrator

The Board employs a General Manager for the System and other personnel and consultants. Edd Abbadini has served as General Manager for 13 years. Mr. Abbadini is responsible for the operation, maintenance and administration of the District, and holds a Bachelor of Science degree in Business Management from Fairmont State College. In addition to the General Manager, the Board has two (2) full-time employees.

James O. Watkins, Jr., Esq., Fairmont, West Virginia, provides legal services and Gary K. Bennett, Certified Public Accountant, Fairmont, West Virginia, provides accounting services for the District. Engineering services are obtained by the District as needed for project development and construction.

Customer	Revenue	Percentage of Total Revenue
Superior Industrial Laundries	$3,374	9.33%
Comfort Inn & Suites	926	2.56
Cracker Barrel Old Country Store	860	2.38
Marion County Board of Education	766	2.12
Super 8 Motel	603	1.67
Riverview Estates Mobile Home Park	553	1.53
DJ's 50's & 60's Diner	379	1.05
Lavigna Mobile Home Park	337	0.93
Kingmont Chevron	236	0.65
Soles Electric Co, Inc.	223	0.62
Total:	$8,257	22.84%

Source: District Billing Records.

Rates

Pursuant to the Act, rates and charges are set by the PSC for the use of and the service rendered by the System sufficient for the payment of sums required to be paid into the various sinking funds and to provide for the repair, replacement, maintenance and operation of the System.

Current Rates

The current rates, approved by the PSC on December 22, 1998, are as follows:

First	50,000 gallons used per month	$4.91 per 1,000 gallons
All Over	50,000 gallons used per month	$4.05 per 1,000 gallons
Minimum Bill		$9.82 per month
Unmetered & Well Users:		$17.18 per month
Service Connection Charge:		$200.00
Service Reconnection Charge:		$25.00

System Budget and Expenditure

An operating budget is prepared annually by the General Manager and is required by the Act to be submitted to the Board no later than 45 days before the new fiscal year begins. The budget is compared to actual year-to-date revenues and expenditures monthly.

Method of Accounting

The District maintains its accounts on an accrual basis and prepares its financial statements in accordance with generally accepted accounting principles. Gary K. Bennett, Certified Public Accountant, Fairmont, West Virginia, audited the records of the District for the fiscal years ended June 30, 2000, 1999 and 1998 (See "Appendix B - Audited Financial Statement for Fiscal Year Ended June 30, 2000".)

Retirement System

District employees are not covered under any retirement plan.

Summary of Historical Revenues and Expenses

The following schedule summarizes historical revenues and expenses of the System for the four fiscal years ended June 30.

	1997	1998	1999	2000
Operating Revenue	$344,657	$358,330	$391,454	$425,127
Operating Expenses:				
Operation and Maintenance	205,956	247,461	225,174	248,835
Depreciation	134,125	134,230	134,933	139,245
Total Operating Expenses	340,081	381,691	360,107	388,080
Operating Income (loss)	4,576	(23,361)	31,347	37,047
Nonoperating Revenues (expenses):				
Interest	8,509	8,917	8,888	8,605
Miscellaneous	----------	----------	----------	3,526
Interest expense on debt	(95,861)	(95,124)	(95,053)	(104,373)
Total nonoperating revenues (expenses)	(87,352)	(86,207)	(86,165)	(92,242)
Net income (loss)	$(82,776)	(109,568)	(54,818)	(55,195)

Source: District Financial Statements

Coverage Ratios

Under the Resolution, the District has covenanted to collect fees and charges such that Net Revenues available for debt service are not less than 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2001 A Bonds and all other obligations secured by a lien or payable from such revenues prior to or on a parity with the Series 2001 A Bonds, including the Prior Bonds. See "SECURITY FOR THE SERIES 2001 A BONDS -- Rate Covenant," herein.

The following table presents the historical debt service coverage ratio for the Prior Bonds for the fiscal years ended June 30, 1998, 1999, 2000 and 2001.

HISTORICAL DEBT SERVICE COVERAGE RATIO

	Fiscal Years Ended June 30			
	1998	1999	2000	2001
Gross Revenues:				
Renewal and Replacement Deposit	6,457	5,327	16,399	7,488
Gross Revenues After Renewal and Replacement Fund Deposit	351,873	386,127	408,728	438,863
Operating Expenses (excluding amortization and depreciation)	247,230	224,942	248,475	270,721
Net Revenue Available for Debt Service	104,643	161,185	160,253	168,142
Debt Service Requirements	103,113	103,113	112,764	114,945
Coverage Ratio	1.01%*	1.56%	1.42%	1.46%

Source: Gary K. Bennett, CPA, audit reports fiscal year 1998 through fiscal year 2000.

Note: The Audit Report of the District for the fiscal year ended June 30, 2001 is currently being prepared by Gary K. Bennett, CPA, and will be available from the District upon completion. The CPA provided the 2001 coverage information.

Watkins, Jr., Esq., Fairmont, West Virginia, and for the Underwriter by its counsel, Jackson & Kelly PLLC, Charleston, West Virginia.

TAX MATTERS

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions, the interest on the Series 2001 A Bonds (a) is excludable from gross income for federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (c) under existing West Virginia law, the Series 2001 A Bonds are exempt from taxation by the State of West Virginia or the other taxing bodies of the State and the interest on the Series 2001 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State West Virginia. For the purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income (adjusted current earnings for taxable years beginning after December 31, 1989).

The District has designated the Series 2001 A Bonds as "qualified tax-exempt obligations" and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2001. Therefore, the Series 2001 A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b) (3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the Series 2001 A Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2001 A Bonds is deductible for federal income tax purposes.

The opinions described above are subject to the condition that the District complies on a continuing basis with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2001 A Bonds for interest thereon to be or continue to be excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Series 2001 A Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Series 2001 A Bonds.

The accrual or receipt of the interest on the Series 2001 A Bonds may otherwise affect the federal income tax liability of certain recipients. The extent of these and other consequences will depend upon the recipient's particular tax status or other consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences, and investors should consult their tax advisors regarding the tax consequences of purchasing or holding the Series 2001 A Bonds.

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the security;
(7) modifications to rights if security holders;
(8) bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the securities;
(11) rating changes; and
(12) failure of the District to comply with clause (a) above.

With respect to Event (8), the District does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail herein, the only open issue is which bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Bonds and public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases.

Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository and the State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2001 A Bonds. Registered Owners may contact the General Manager of the District at P.O. Box 265, Fairmont, West Virginia 26554, (304) 366-3928 for more information.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be

Appendix A

Kingmill Valley Public Service District

Introduction

Marion County is located in north central West Virginia. The County was created in 1842 from parts of Monongalia and Harrison counties, and named in honor of General Francis Marion, of Revolutionary War fame, known in history as "The Swamp Fox."

The County seat is located at Fairmont, one of eleven municipalities in Marion County. The other municipalities are Barrackville, Fairview, Farmington, Grant Town, Mannington, Monongah, Pleasant Valley, Rivesville, White Hall, and Worthington. The 2000 U.S. Census for the County was 56,598, a decrease from the 1990 U.S. Census figure of 57,249.

Marion County has a total land area of 313 square miles and is bordered on the west by Wetzel County, West Virginia, on the north and east by Monongalia County, West Virginia, and on the south by Harrison and Taylor counties, West Virginia.

Marion County's leading industries and chief agricultural products are: coal, aluminum sheets, aluminum ventilation louvers and vents, fluorescent lamps, sealed-beam lamps, electric power, hydraulic pump and motor parts, livestock, hay and grain, dairying, poultry, computer software application and design, computer hardware manufacturing and other high technology industries, natural gas and telemarketing services.

Due to its location, many metropolitan areas are within reasonable traveling distance of Marion County.

Pittsburgh, Pennsylvania	-	89 miles
Charleston, West Virginia	-	136 miles
Columbus, OH	-	214 miles
Cleveland, OH	-	218 miles
Washington, DC	-	243 miles
Roanoke, VA	-	266 miles

The County is governed by, and generally acts through, The County Commission of Marion County. The present Commissioners of the County Commission, elected on a county-wide basis, are Cecily Enos, President, James E. Sago, and Cody A. Starcher.

Population

The following table represents the population of Marion County, West Virginia and the United States:

Marion County							
EMPLOYMENT AND UNEMPLOYMENT STATISTICS ANNUAL AVERAGES							
			1995	**1996**	**1997**	**1998**	**1999**	**2000**
LABOR FORCE STATISTICS								
Civilian Labor Force			24,180	24,650	24,440	23,670	24,410	24,720
	Total Employment		22,060	22,040	22,100	21,810	22,460	23,210
	Total Unemployment		2,120	2,610	2,350	1,860	1,950	1,510
		Unemployment Rate	8.8	10.6	9.6	7.9	8.0	6.1
NONFARM PAYROLL EMPLOYMENT BY INDUSTRY								
Total Nonfarm Payroll			20,780	20,460	20,700	20,820	21,130	21,630
Goods Producing			4,780	4,560	4,390	4,120	3,960	3,860
	Mining		1,390	1,200	1,230	1,310	990	860
		Coal Mining	1,320	1,120	1,160	1,250	940	810
	Construction		1,260	1,240	1,310	1,000	1,170	1,210
	Manufacturing		2,130	2,120	1,850	1,810	1,790	1,780
		Durable Goods	1,640	1,580	1,450	1,350	1,320	1,290
		Nondurable Goods	490	530	400	460	480	490
Service Producing			16,000	15,900	16,310	16,700	17,170	17,780
	Transportation and Public Utilities		1,280	1,200	1,120	1,310	1,280	1,270
	Trade, Wholesale & Retail		4,670	4,530	4,430	4,390	4,450	4,460
	Finance, Insurance, and Real Estate		840	810	820	800	750	690
	Services		4,560	4,910	5,230	5,520	6,150	6,750
	Government		4,660	4,450	4,700	4,680	4,550	4,600
		Federal	570	280	510	520	400	400
		State and Local	4,100	4,160	4,190	4,160	4,150	4,200

Date last revised: 05/03/2001

Source: West Virginia Bureau of Employment Programs

Source: West Virginia Bureau of Employment Programs and
United States Department of Labor, Bureau of Labor Statistics

Transportation

Marion County is bisected by Interstate 79 which connects with Interstate 68 twenty miles to the north. Other major highways in the area include US 250, US 19, US 73, WV 218 and WV 310. The County is also 20 minutes from US 50 and only 30 minutes from Appalachian Highway - Corridor G.

Passenger air service is provided by Fairmont Municipal Airport, Benedum Airport in Bridgeport, West Virginia, 14 miles south, and Morgantown Municipal Airport, in Morgantown, West Virginia, 20 miles north. The major airport serving the County is Pittsburgh International Airport in Pittsburgh, Pennsylvania which is within a 90 minute drive.

Area rail service is provided by CSX and Norfolk & Southern railroads.

Passenger bus service is provided by Greyhound Buslines and Fairmont-Marion County Transit Authority for national and local service, respectively.

Utilities and Services

Electric service to Marion County is provided by Allegheny Power. Natural Gas service is provided by Hope Gas and Equitable Gas. Cable service is provided locally by Time Warner Cable and telephone service is provided by Verizon and Citizens Telecom.

The City of Fairmont's collection and treatment system provides sewer service to Fairmont and surrounding areas including two municipalities and four public service districts, including Kingmill Valley Public Service District. Water service is provided byThe City of Fairmont, other municipalities and local public service districts. The Marion County Solid Waste Authority sponsors a recycling program featuring 10 area drop-off points.

Medical or Health Care

Marion County is served by Fairmont General Hospital (268 beds), located in Fairmont, which operates a 24-hour emergency room, inpatient care, a range of outpatient services, a center for behavioral medicine and addiction treatment, as well as a center for skilled nursing. Both MVA Home Health and MVA Hospice of Marion County provide in-home care services to the chronically and/or terminally ill utilizing a staff of both professional and volunteer caregivers. Also, the MVA Fairmont Clinic provides quality, multispecialty health care to the residents of North Central West Virginia. There are six nursing homes located in Marion County.

WDTV-TV: channel 5, CBS (Bridgeport), WBOY-TV: channel 12, NBC (Clarksburg), WVFX-TV: channel 46, Fox (Clarksburg), WNPB-TV: channel 24, PBS (Morgantown) are the local television stations.

Financial Institutions

Banking service in the County is provided by Huntington Bank, Monongahela Valley Bank, BB&T, the First Exchange Bank, WesBanco and the Fairmont Federal Credit Union.

C0530836

Appendix B

Audited Financial Statement for Fiscal Year Ended June 30, 2000

AUDIT REPORT OF

KINGMILL VALLEY

PUBLIC SERVICE DISTRICT

FAIRMONT, WEST VIRGINIA

JUNE 30, 2000

GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone (304) 366-4295
Fax (304) 366-4311

November 9, 2000

Board of Directors
Kingmill Valley Public Service District
P.O. Box 265
Fairmont, West Virginia 26554

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying balance sheet of Kingmill Valley Public Service District as of June 30, 2000 and 1999, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of Kingmill Valley Public Service District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial position of Kingmill Valley Public Service District as of June 30, 2000 and 1999, and the results of operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated November 9, 2000 on my consideration of Kingmill Valley Public Service District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. This report is an integral part of an audit performed in accordance with Government *Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Gary K. Bennett
Certified Public Accountant

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
COMPARATIVE BALANCE SHEET (CONTINUED)

LIABILITIES AND FUND EQUITY	JUNE 30, 2000	1999
CURRENT LIABILITIES		
Accounts Payable - Operations	$ 25,375	$ 43,080
Accrued Payroll and Taxes	3,293	3,178
Customer Deposits	9,315	7,050
Note Payable - Sanitary Sewer Board	1,037	1,278
TOTAL CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)	39,020	54,586
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Construction Payable	0	33,548
Accrued Interest Payable	25,296	23,327
Revenue Bonds - Series 1986-A	8,993	8,194
Revenue Bonds - Series 1986-B	2,086	2,086
Revenue Bonds - Series 2000-A	1,317	1,245
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	37,692	68,400
LONG-TERM LIABILITIES		
Note Payable - Sanitary Sewer Board	16,462	17,333
Revenue Bonds - Series 1986-A	934,946	943,939
Revenue Bonds - Series 1986-B	52,142	54,228
Revenue Bonds - Series 2000-A	180,638	181,955
TOTAL LONG-TERM LIABILITIES	1,184,188	1,197,455
TOTAL LIABILITIES	1,260,900	1,320,441
FUND EQUITY		
Contributed Capital	4,843,902	4,826,019
Retained Deficit	<1,660,904>	<1,605,709>
TOTAL FUND EQUITY	3,182,998	3,220,310
TOTAL LIABILITIES AND FUND EQUITY	$4,443,898	$4,540,751

See accompanying notes to the financial statements.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30, 2000	1999
OPERATING ACTIVITIES		
Operating Income <Loss>	$ 37,047	$ 31,347
Adjustments to Reconcile Operating Income <Loss> to Net Cash Provided by Operating Activities		
Depreciation and Amortization	139,605	135,165
<Increase> Decrease in:		
Accounts Receivable	15,973	<10,354>
Prepayments	<1,508>	<798>
Increase <Decrease> in:		
Accounts Payable and Accrued Expenses	<51,138>	<19,413>
NET CASH PROVIDED BY OPERATING ACTIVITIES	139,979	135,947
INVESTING ACTIVITIES		
Purchase of Property and Equipment	<123,593>	<53,838>
Decrease in Restricted Cash	97,241	<134,709>
Contributed Capital	17,883	<3,370>
Interest Received	8,605	8,888
NET CASH PROVIDED <USED> BY INVESTING ACTIVITIES	136	<183,029>
CAPITAL FINANCING ACTIVITIES		
Loan Received	0	183,200
Debt Principal Reduction	<12,637>	<14,088>
Employee Advances	<1,500>	0
Repayment of Employee Advances	450	0
Interest Paid	<102,317>	<94,720>
NET CASH PROVIDED <USED> BY CAPITAL FINANCING ACTIVITIES	<116,004>	74,392
NONCAPITAL FINANCING ACTIVITIES		
Customer Deposits	2,265	1,707
Restitution Payments	3,526	0
Interest Paid	<87>	<76>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,704	1,631
NET INCREASE IN CASH	29,815	28,941
CASH AT BEGINNING OF YEAR	34,315	5,374
CASH AT END OF YEAR	$ 64,130	$ 34,315

See accompanying notes to the financial statements.

NOTE 2. RESTRICTED ASSETS - REVENUE BOND RESOLUTION (Cont.)

Reserve Fund - The reserve fund is used to make up any deficiency in the payments of principal and interest when other monies in the sinking fund are insufficient to pay the semi-annual interest and annual principal requirement. The resolution requires a monthly payment into the reserve fund of 1/120 of the reserve requirement (reserve requirement - Series A $101,027-monthly payment $8,419 / reserve requirement - Series B $2,086-monthly payment $174 / reserve requirement - Series 2000 A $11,832-monthly payment $1,862) until an amount equal to the reserve requirement is met.

Renewal and Replacement Fund - The renewal and replacement fund is to be used for replacements, emergency repairs, improvements or extensions to the system and to eliminate deficiencies in the reserve fund. The resolution requires monthly payments of 2 1/2% of the gross monthly revenue less payments to the reserve fund.

NOTE 3. PROPERTY, PLANT, AND EQUIPMENT AND DEPRECIATION

Property, Plant, and Equipment - Property, Plant, and Equipment are recorded at original cost. The changes in fixed assets during the fiscal year were as follows:

Fixed Assets	Balance 6/30/99	<Deletions> Additions	Balance 6/30/00
Land and Land Rights	$ 81,473	$ 0	$ 81,473
Collection and Transportation	4,948,189	7,658	4,955,847
Pump Stations	601,731	160,995	762,726
Flow Measuring Equipment	156,192	0	156,192
Pumps and Pumping Equipment	69,438	5,841	75,279
Generators	135,851	0	135,851
Small Tools	4,312	192	4,504
Office Equipment	9,122	1,748	10,870
Storage Building	5,600	0	5,600
Construction in Progress	72,994	<72,994>	0
Transportation Equipment	0	9,903	9,903
Totals	$6,084,902	$113,343	$6,198,245

Depreciation Expense - Depreciation expense of $139,245 has been recognized for this fiscal year. Depreciation is determined using the straight-line method. The useful lives employed in the computation of depreciation expense are as follows:

Collection and Transportation	50 years	2%
Pump Stations	25 years	4%
Flow Measuring Equipment	10 years	10%
Pumps and Pumping Equipment	5 years	20%
Generators	6.67 years	15%
Small Tools	5 years	20%
Office Equipment	5 years	20%
Storage Building	15 years	6.67%
Transportation Equipment	5 years	20%

NOTE 5. NOTE PAYABLE - SANITARY SEWER BOARD

An agreement between the District and the Fairmont Sanitary Sewer Board provided that the Sewer Board would purchase and install four (4) new flow meters for the District. The cost of the meters was then to be reimbursed by the District. A credit of overcharges for sewer treatment in prior years was applied to the meter costs and the remaining balance was financed as follows:

Cost of Flow Meters	$ 45,713
Credit of Treatment Costs	<24,566>
Amount Financed	$ 21,147
Interest Rate	7%
Term	15 3/4 years
Monthly Payments	$185

	Original Note	Balance 6/30/99	Principal Payments	Balance 6/30/00
Sanitary Sewer Board	$ 21,147	$18,611	$ 1,112	$ 17,499

The maturity of the note in each of the next five years and thereafter is as follows:

2001	$ 1,027
2002	1,102
2003	1,181
2004	1,267
2005	1,358
Thereafter	11,564
	$ 17,499

NOTE 6. LEASE

On May 1, 1999, the District entered into a lease agreement with Thomas E. Heston. The lease agreement calls for monthly payments of $100 for the next five years. Lease may be renewed for additional periods of time as agreed upon by both parties.

NOTE 7. SYSTEM USERS

As of June 30, 2000, Kingmill Valley Public Service District served a total of 1,234 users (1,158 residential and 76 commercial). All sewerage treatment for the District is performed by the City of Fairmont. Expenditures for the treatment of sewage amounted to $115,806 and $115,239 at June 30, 2000 and 1999, respectively.

NOTE 8. COMPENSATED ABSENCES

Compensated absences for vacation and sick time have not been accrued because the amount cannot be reasonably estimated.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

GARY K. BENNETT

Certified Public Accountant

317 Cleveland Avenue
Fairmont, WV 26554
Telephone (304) 366-4295
Fax (304) 366-4311

November 9, 2000

Board of Directors
Kingmill Valley Public Service District
P.O. Box 265
Fairmont, West Virginia 26554

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

I have audited the financial statements of Kingmill Valley Public Service District as of and for the year ended June 30, 2000 and have issued my report thereon dated November 9, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kingmill Valley Public Service District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. Reportable conditions are described in the Schedule of Findings and Reportable Conditions as Item 99-1, 99-2, and 99-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Kingmill Valley Public Service District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Kingmill Valley Public Service District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Reportable Conditions as Item 99-4 and 99-5.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND REPORTABLE CONDITIONS
FOR THE YEAR ENDED JUNE 30, 2000

99-1

CONDITION: District made purchases of flowers during the fiscal year.

CRITERIA: Review of the cash disbursements revealed that the District had purchased flowers in violation of WV Code Section 11-8-26 during the fiscal year.

EFFECT: The purchase of flowers is considered to be an expenditure of funds for a nonpublic purpose, and therefore, is not authorized.

RECOMMENDATION: The Board of Directors are directed to refrain from expending public funds for the purchase of flowers for specific individuals. Also, those Board Members who authorized the expenditures may be required to personally reimburse the District for the amount of expenditures.

99-2

CONDITION: The District paid employees bonuses over twenty-five dollars without making required tax withholding.

CRITERIA: Review of the cash disbursements revealed that the District paid bonuses to employees over twenty-five dollars without withholding Social Security Medicare. This is in violation of the Internal Revenue Code.

EFFECT: The District has misstated wages paid to employees and under reported payroll taxes.

RECOMMENDATION: The District should treat all amounts paid to employees as wages and withhold required payroll taxes.

99-3

CONDITION: District paid expenses of an employee during the fiscal year. These are being repaid by the employee but are considered as a salary advance to the employee.

CRITERIA: Review of cash disbursements revealed that the Board had paid a salary advance to an employee in the amount of $1,500 during the fiscal year. The employee is repaying the advance at a rate of fifty dollars each month. This is in violation of WV Attorney General Opinion 221.

EFFECT: The District has made an expenditure for wages prior to services being rendered in violation of WV Attorney General's Opinion 221.

RECOMMENDATION: The District should refrain from making any further salary advances.

[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Approving Opinion of Bond Counsel)

September 13, 2001

$1,130,000
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Kingmill Valley Public Service District
Fairmont, West Virginia

Ferris, Baker Watts, Incorporated
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Kingmill Valley Public Service District (West Virginia) (the "Issuer") of its $1,130,000 in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on September 6, 2001, as supplemented by a Supplemental Resolution duly adopted by the Issuer on September 6, 2001 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Bonds are issued in fully registered form, are dated September 1, 2001, upon original issuance, mature on October 1 in years and amounts and bear interest payable each April 1 and October 1, commencing October 1, 2002, as follows:

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

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

5. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2001. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

7. The Series 1986 A Bonds have been paid within the meaning and with the effect expressed in the 1986 Resolution and the Prepayment Agreement, and the covenants, agreements and other

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provision of the Resolution. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Resolution, copies of which may be obtained from the Underwriter. Capitalized terms used herein and not otherwise defined shall have the same meanings as defined in the Resolution.

Application of the 2001 A Bond Proceeds

All interest accrued on the Series 2001 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2001 A Bonds Sinking Fund and applied to payment of interest on the Series 2001 A Bonds at the first interest payment date.

An amount of the proceeds of the Series 2001 A Bonds which, together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Series 1986 A Bonds (which amount shall be set forth in the Supplemental Resolution) shall be deposited in the Series 1986 A Bonds Sinking Fund.

An amount of the proceeds of the Series 2001 A Bonds equal to the Series 2001 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2001 A Bonds Reserve Account; provided that, to the extent the Series 2001 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, proceeds of the Series 2001 A Bonds shall be deposited in the Series 2001 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2001 A Bonds Reserve Requirement.

An amount of the proceeds of the Series 2001 A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the District solely to pay costs of issuance of the Series 2001 A Bonds and miscellaneous costs of refunding the Series 1986 A Bonds at the written direction of the District. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the District to the Series 2001 A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

The balance of any proceeds of the Series 2001 A Bonds and any moneys in any fund or account established for the Series 1986 A Bonds pursuant to the 1986 Resolution, not used for any of the purposes set forth above, shall be deposited in the Construction Fund and shall be drawn out, used and applied by the District solely to pay the costs of acquisition and construction of certain improvements and extensions to the System (the "Project"). All such costs of the Project shall be paid within 6 months of the Closing Date. Moneys not to be applied immediately to pay such costs of the Project may be invested in accordance with the Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 2001 A Bonds.

that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2001 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1986 B Bonds Reserve Account the amount required by the 1986 Resolution; (ii) for deposit in the Series 1999 A Bonds Reserve Account the amount required by the 1999 Resolution; and (iii) for deposit in the Series 2001 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2001 A Bonds Reserve Account below the Series 2001 A Bonds Reserve Requirement or any withdrawal from the Series 2001 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2001 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2001 A Bonds Reserve Account is less than the Series 2001 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2001 A Bonds Reserve Account for deposit into the Series 2001 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2001 A Bonds Reserve Account to an amount equal to the Series 2001 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2001 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2001 A Bonds Reserve Requirement.

(4) The District shall next, from the moneys remaining in the Revenue Fund (as previously set forth in the 1986 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the District or of the Depository Bank and shall be invested and reinvested in Qualified Investments. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 2001 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2001 A Bonds as the same shall become due, whether by maturity

The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

If on any monthly payment date the Net Revenues are insufficient to place the required amount in any of the funds and accounts as provided in the Resolution, 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 therein shall be in the same order as payments are to be made pursuant to the Resolution, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

Investments

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

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

The following specific provisions shall apply with respect to any investments made under the Resolution:

(A) Qualified Investments acquired for the Series 2001 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to semiannually transfer from the Series 2001 A Bonds Reserve Account to the Series 2001 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefor; provided, however, that there shall at all times remain on deposit in the Series 2001 A Bonds Reserve Account an

Bonds Sinking Fund, and the District shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 2001 A Bonds. Any balance remaining after the payment of the Series 2001 A Bonds and interest thereon shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of the revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided therein 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 District shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and 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 District 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 District to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of the Resolution. No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The District shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of
Revenues and General Covenant Against Encumbrances

The District 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 2001 A Bonds. All obligations issued by the District after the issuance of the Series 2001 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2001 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be

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 an Independent Certified Public Accountant, as stated in a certificate signed by such Independent Certified Public Accountant, on account of increased rates, rentals, fees and charges for the System adopted by the District and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the District 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 the Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with the Resolution. 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 District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2001 A Bonds on such revenues. The District shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in the Resolution, equally, as to lien on and source of and security for payment from such revenues, with the Series 2001 A Bonds.

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

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

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

deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Enforcement of Collections

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

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

No Competing Franchise

To the extent legally allowable, the District will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Books and Records

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

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the District. Subsidiary records as may be required shall be kept in the manner, on the

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 District 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 District and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Statutory Mortgage Lien

For the further protection of the Holders of the Series 2001 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2001 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1986 B Bonds and the Series 1999 A Bonds.

Merger, Consolidation or Acquisition of District

The District may, without the consent of the holders of the Series 2001 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2001 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the Issuer first obtains a written statement by an Independent Certified Public Accountant that the merged, consolidated or acquiring entity will, immediately following such merger, consolidation or acquisition, satisfy the test for the issuance of additional parity bonds set forth in the Resolution.

Events of Default

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2001 A Bonds;

(B) If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any Supplemental Resolution or in the Series 2001 A Bonds contained, and such default shall have continued for a period of 30 days after

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

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

Appointment of Receiver

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

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

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

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

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

Amendment

No materially adverse amendment or modification to the Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2001 A Bonds then Outstanding and affected thereby and such Bond Insurer, which must be filed with the District before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2001 A Bond without the express written consent of the Holder of each Series 2001 A Bond so affected, nor reduce the percentage of Series 2001 A Bonds required for consent to any such modification or amendment.

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KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS, SERIES 2001 A

BOND PURCHASE AGREEMENT

September 6, 2001

Kingmill Valley Public Service District
P.O. Box 265
Fairmont, WV 26554

Ladies and Gentlemen:

Ferris, Baker Watts, Incorporated (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the Kingmill Valley Public Service District (the "District"). This offer is made subject to acceptance and execution of this Purchase Agreement by the District prior to 11:59 p.m., local prevailing time on the date hereof, or until withdrawn by the Underwriter upon written notice to the District as permitted herein, whichever shall occur earlier. Upon such acceptance and approval, as evidenced by the signature of the Chairman of the District in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriter.

All capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings set forth in the hereinafter described Resolution.

1. The Kingmill Valley Public Service District (West Virginia) $1,130,000 Sewer Refunding Revenue Bonds, Series 2001 A ("Series 2001 A Bonds") are being issued to provide funds, together with other funds available therefor, to (i) refund the District's Sewer Revenue Bonds, Series 1986 A, issued pursuant to a resolution dated June 10, 1986 (the "1986 Resolution"), originally issued in the aggregate principal amount of $1,008,657 and presently outstanding in the aggregate principal amount of $934,946 (the "Series 1986 A Bonds"); (ii) fund a reserve account (the "Reserve Account") in the sinking fund (the "Sinking Fund") established with the West Virginia Municipal Bond Commission for the Series 2001 A Bonds in an amount equal to the maximum amount of principal and interest which will come due on the Series 2001 A Bonds in any year; and (iii) pay certain costs of issuance of the Series 2001 A Bonds and related costs.

The Series 2001 A Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the Bond Resolution adopted by the Board of the District on September 6, 2001, as supplemented and amended by the Supplemental Resolution adopted by the Board on September 6, 2001 (collectively, the "Resolution"). The Resolution shall be substantially in the form previously submitted to the Underwriter with such changes and amendments as the District's and Underwriter's counsel shall approve.

Upon the terms and conditions and upon the basis of the representations and warranties set forth in this Purchase Agreement, the Underwriter agrees to purchase from the District, and the District agrees to sell to the Underwriter the Series 2001 A Bonds at an aggregate purchase price of $1,096,100 plus interest accrued on the Series 2001 A Bonds from the 1st day of September, 2001, to the date of the Closing, as hereinafter defined. This purchase price reflects an underwriter's discount of $33,900. The Series 2001 A Bonds shall mature on the dates and in the amounts set forth in Exhibit A hereto, and shall bear interest, payable semiannually on April 1 and October 1, commencing April 1, 2002. The Series 2001 A Bonds are subject to optional and mandatory sinking fund redemption as set forth in Exhibit A hereto.

The Underwriter agrees to make a bona fide public offering of the Series 2001 A Bonds at the initial offering prices as set forth in the Official Statement (as hereinafter defined) and in Exhibit A, which prices may be changed from time to time by the Underwriter.

2. Concurrently with the acceptance of this Purchase Agreement by the District, the District shall deliver or cause to be delivered to the Underwriter five copies of the Preliminary Official Statement relating to the Series 2001 A Bonds, substantially in the form of the Preliminary Official Statement dated August 28, 2001 (the "Preliminary Official Statement") and prior to delivery of the Series 2001 A Bonds, five copies of the Official Statement (the "Official Statement") dated the date of this Purchase Agreement, signed on behalf of the District by its Chairman as requested below.

3. The Official Statement has been approved for distribution by the Resolution. The District authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Series 2001 A Bonds.

On August 28, 2001, the District delivered to the Underwriter the Preliminary Official Statement and the Underwriter received a certificate from the District which deemed the Preliminary Official Statement "final" within the meaning of clause (b)(1) of Rule 15c2-12 ("Rule 15c2-12") under the Securities and Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) and Rule G-32 and all other rules of the Municipal Securities Rulemaking Board. The District shall hereafter deliver to the Underwriter, as promptly as practicable but in no event later than September 12, 2001, such number of copies of the final Official Statement as the Underwriter may reasonably request in order for the Underwriter to comply

with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934.

As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplement or amendment thereto, to a nationally recognized municipal securities information repository.

4. At 10:00 a.m. prevailing time, on September 13, 2001, or such other date as shall be agreed upon by the parties to this Purchase Agreement (the "Closing"), the District will deliver or cause to be delivered to the Underwriter, (a) the Series 2001 A Bonds in the form of one certificate for each maturity fully registered in the name of CEDE & CO., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), duly executed by the District and authenticated by the Registrar, and (b) at such other place as we mutually agree upon, will deliver to the Underwriter the other documents required in this Purchase Agreement and by the Resolution. Upon such delivery of the Series 2001 A Bonds, the Underwriter will accept such delivery and pay the purchase price therefor, plus any accrued interest thereon, in immediately available funds to the order of the Depository Bank, for the account of the District. Such delivery shall be made at DTC (or at the offices of the Registrar, if "DTC Fast" delivery is used), with the payment and other requisite actions to be taken at the place designated by the parties to this Purchase Agreement. The Series 2001 A Bonds shall be made available to the Underwriter at DTC forty-eight (48) hours before the Closing, provided that if DTC Fast delivery is used then the Series 2001 A Bonds shall be made available to the Registrar by 4:00 p.m. on September 12, 2001, for the purpose of inspection and packaging. The District also agrees that it shall deliver to The Depository Trust Company the letter of representations, in the form required by The Depository Trust Company (the "DTC Letter of Representations") and the timely payment letter at the times required by The Depository Trust Company.

5. The District represents and warrants to the Underwriter and agrees that:

(a) The District is a public service district and a public corporation and political subdivision of the State of West Virginia in Marion County of said State. The Series 2001 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act");

(b) The District shall have complied and will comply at the Closing in all respects with all applicable statutes and laws, including the Act;

(c) The District has full legal right, power and authority to issue bonds for purposes provided in the Resolution and to enter into this Purchase Agreement, to adopt the Resolution and to issue, sell and deliver the Series 2001 A Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(d) The proceeds of sale of the Series 2001 A Bonds, together with other funds available therefor shall be sufficient to defease the Series 1986 A Bonds and the liens of the resolutions authorizing such bonds, all in accordance with the provisions of the Act;

(e) The information contained in the Preliminary Official Statement and in the Official Statement is and, as of the Closing Date, will be true and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(f) At the time of the District's acceptance hereof and (unless an event occurs of the nature described in subparagraph (i)) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2001 A Bonds (as determined in accordance with subparagraph (k) hereof), the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) If the Official Statement is supplemental or amended pursuant to subparagraph (i) at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2001 A Bonds (as determined in accordance with subparagraph (k) hereof), the Official Statement as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) If during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2001 A Bonds (as determined in accordance with subparagraph (k) hereof) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance approved by the District and acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

(i) Prior to the District's acceptance hereof, the District delivered to the Underwriter copies of the Preliminary Official Statement which the District deemed final (for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934) as of the date thereof; provided, however, that in making the representation and warranty contained in this paragraph (j) the District shall not be deemed to have made any additional representation or warranty as to the Preliminary Official Statement other than the representation and warranty contained in paragraph (f);

(j) For purposes of this Purchase Agreement, the End of the Underwriting Period for the Series 2001 A Bonds shall mean the earlier of (a) the day of the Closing unless the District has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Series 2001 A Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (b) the date on which notice is given to the District by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the District pursuant to clause (a) above that the "end of the underwriting period" for the Series 2001 A Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the District in writing as soon as practicable following the "end of the underwriting period" for the Series 2001 A Bonds for all purposes of the Rule;

(k) At or prior to the Closing, the District shall have duly authorized, executed and delivered a written continuing disclosure undertaking (an "Undertaking") which complies with the provisions of Rule 15c2-12(b)(5) and which shall be substantially in the form described in the Preliminary Official Statement;

(l) You have duly authorized all necessary action to be taken by you for: (1) the issuance and sale of the Series 2001 A Bonds upon the terms set forth herein, in the Resolution and in the Official Statement; (2) the execution and delivery of the Resolution and the Undertaking; (3) the approval of the Official Statement and the execution of the Official Statement by your Chairman; (4) the refunding of the Series 1986 A Bonds pursuant to the Resolution; (5) the execution, delivery, receipt and due performance of this Purchase Agreement, the Series 2001 A Bonds, the Resolution, the Undertaking and any and all such other agreements and documents as may be required to be executed, delivered and received by you in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (6) the carrying out, giving effect to and consummation of the transactions contemplated hereby and by the Resolution and the Official Statement;

(m) When delivered to and paid for by the Underwriter in accordance with the terms of this Purchase Agreement, the Series 2001 A Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding obligations of the District payable solely from the Net Revenues and moneys pledged therefor under the Resolution and will be entitled to the benefit of the Resolution. Neither the credit nor the taxing power, if any, of the District shall be deemed to be pledged

to, nor shall a tax ever be levied for the payment of the principal of or the interest on the Series 2001 A Bonds;

(n) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to your knowledge, threatened against or affecting you (or, to your knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the validity of the Series 2001 A Bonds, the Undertaking, the Resolution, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated hereby or by the Official Statement or the validity of the Series 2001 A Bonds, the Resolution, the Undertaking, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement;

(o) The execution and delivery of the Official Statement, this Purchase Agreement, the Series 2001 A Bonds, the Resolution, the Undertaking and the other agreements contemplated hereby and by the Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on your part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which you are or may be bound, and to your knowledge all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby have been obtained;

(p) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certifications may not be relied upon;

(q) All financial statements of the District included as a part of the Preliminary Official Statement and the Official Statement (the "Financial Statements"), fairly present the District's financial condition as of the respective dates and the results of its operations for the respective periods therein set forth and have been prepared when so indicated in accordance with generally accepted accounting principles consistently applied and since the respective most recent dates as of which information is given in the Preliminary Official Statement or the Official Statement, there has not been any material change in the long-term debt or capitalization of the District or any material adverse change in the general affairs, management, financial position, or results of operations of the District and no material transactions or obligations other than in the ordinary course of business have been entered into with respect to the System by the District, except as reflected in or contemplated by the Official Statement; and

(r) Any certificate signed by the Chairman or any authorized officers and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein. It is understood that the

representations, warranties and covenants by the District contained in this Section 5 and elsewhere in this Purchase Agreement shall not create any general obligation or liability of the District, and that any obligation or liability of the District hereunder or under the Resolution will be payable solely out of the Net Revenues and other income, charges and moneys derived by the District from, or in connection with the sale of the bonds, nor shall any member, official or employee of the District be personally liable therefor.

6. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and agreements of the District made herein. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At or prior to the time of Closing, the Resolution and the Undertaking, as approved by the Underwriter or its counsel, shall have been approved by the appropriate parties, shall have been duly executed, acknowledged, sealed and delivered, shall be in full force and effect and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter.

(b) The Underwriter shall have the right to cancel its obligations hereunder to purchase the Series 2001 A Bonds (such cancellation shall not constitute a default hereunder) by notifying the District in writing of its election to do so between the date hereof and the Closing Date, if at any time hereafter and prior to the Closing Date:

(i) Any legislation, rule or regulation shall be introduced in, or enacted by, the United States House of Representatives or the United States Senate or any committee thereof, or a decision by a court established under Article III of the Constitution of the United States of America, or the Tax Court of the United States, shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed, which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Series 2001 A Bonds;

(ii) Any legislation, ordinance, rule or regulation shall be introduced in or enacted by any governmental body, department or agency of the State of West Virginia or political subdivision thereof, or a decision by any court of competent jurisdiction within the State of West Virginia shall have been rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Series 2001 A Bonds;

(iii) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other government agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering for sale of obligations of the general character of the Series 2001 A Bonds, or the issuance, offering or sale of the Series 2001 A Bonds, including all the underlying obligations, as contemplated hereby or by the Official Statement, is in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities and Exchange Act of 1934, as amended and as then in effect,

or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect;

(iv) Any event shall have occurred or information become known which, in the Underwriter's reasonable opinion, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement or the Underwriter shall have determined that the Preliminary Official Statement or the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(v) A general banking moratorium shall have been established by Federal, New York State or West Virginia authorities;

(vi) In the reasonable opinion of the Underwriter, the market price of the Series 2001 A Bonds, or the market price generally of obligations of the general character of the Series 2001 A Bonds, has been adversely affected because (1) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, (2) the New York Stock Exchange, other national securities exchange or any governmental authority shall have imposed as to the Series 2001 A Bonds or similar obligations any material restrictions not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or (3) war or any outbreak of hostilities or other national or international calamity or crisis shall have occurred or any armed conflict shall have occurred or escalated to such a magnitude as in the reasonable opinion of the Underwriter to have a materially adverse effect on the ability of the Underwriter to market the Series 2001 A Bonds;

(vii) An event described in paragraph 5(i) hereof shall have occurred which in the opinion of the Underwriter requires the preparation and publication of a supplement or amendment to the Official Statement, regardless of whether or not such a supplement or amendment to the Official Statement has been prepared and/or circulated, unless the Underwriter shall have otherwise agreed that this Purchase Agreement shall not be terminated as a result of such event; or

(viii) There shall have been any materially adverse change in the affairs of the District.

(c) At or prior to the Closing, the Underwriter and the District shall receive the following documents, in each case in form and substance satisfactory to us and our counsel:

(1) The unqualified approving opinion, dated as of the Closing Date, of Steptoe & Johnson PLLC, Bond Counsel, in the form attached as Appendix C to the Preliminary Official Statement accompanied by a supplementary opinion of Bond Counsel,

dated as of the Closing Date, substantially in the form attached hereto as Exhibit B and an opinion with respect to the defeasance of the Series 1986 A Bonds;

(2) The opinion of James O. Watkins, Jr., Esq., Fairmont, West Virginia, Counsel for the District, dated the date of Closing and addressed to the Underwriter in the form attached hereto as Exhibit C;

(3) The opinion of Jackson & Kelly PLLC, Charleston, West Virginia, counsel for the Underwriter, dated as of the Closing Date, substantially in the form attached hereto as Exhibit D;

(4) A certificate, satisfactory to the Underwriter, of the Chairman of the District or any other of your duly authorized officers satisfactory to the Underwriter, dated as of the Closing, to the effect that: (i) you have duly performed all of your obligations to be performed at or prior to the Closing and that each of your representations and warranties contained herein are true as of Closing, (ii) you have authorized, by all necessary action, the execution, delivery, receipt and due performance of the Series 2001 A Bonds, the Resolution, the Undertaking and any and all such other agreements and documents as may be required to be executed, delivered and received by you in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to your knowledge no litigation is pending, or to your knowledge threatened, to restrain or enjoin the issuance or sale of the Series 2001 A Bonds or in any way affecting any authority for or the validity of the Series 2001 A Bonds, the Resolution or your existence or powers or the District's right to use the proceeds of the Series 2001 A Bonds to refund the Series 1986 A Bonds, and (iv) the execution, delivery, receipt and due performance of the Series 2001 A Bonds, the Resolution, the Undertaking and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and your compliance with the provisions thereof will not conflict with or constitute on your part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which you are or may be bound;

(5) Verification of the debt service savings obtained by refunding the Series 1986 A Bonds by Gary K. Bennett, certified public accountant, Fairmont, West Virginia;

(6) Copies of the Resolution, the Undertaking and this Purchase Agreement executed by the parties thereto;

(7) A Certificate of the Bond Registrar to the effect that all conditions precedent contained in the Resolution for the issuance of the Series 2001 A Bonds have been met, and are entitled to the benefit and security of the Resolution;

(8) The Resolution, certified by an authorized official of the District under the seal of the District, as having been duly adopted by the District and as being in full

force and effect, with only such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(9) A final order from the Public Service Commission of West Virginia approving the refunding of the Series 1986 A Bonds;

(10) The written consent of West Virginia Water Development Authority to the refunding of the Series 1986 A Bonds, to the issuance of the Series 2001 A Bonds on a first lien parity basis;

(11) Executed copies of the Undertaking described in paragraph 5(l), in form and substance satisfactory to the Underwriter and counsel to the Underwriter;

(12) A certificate of the District executed by an authorized officer thereof, dated the Closing Date and in form and substance satisfactory to the Underwriter and counsel to the Underwriter, to the effect that the District is obligated by such Undertaking and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5);

(13) Evidence to the effect that the requirements of the Code have been satisfied by the filing of Internal Revenue Service Form 8038-G; and

(14) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request including the opinion of Bond Counsel with respect to the original issue discount, if any.

If the District shall be unable to satisfy or cause to be satisfied the conditions to the Underwriter's obligations in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the District shall have any further obligations, claims or rights hereunder. However, the Underwriter may in its discretion waive in writing one or more conditions imposed by this Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

7. The Underwriter shall be under no obligation to pay, and, if the Series 2001 A Bonds are issued, the District shall pay or cause the District to be paid from the proceeds of the Series 2001 A Bonds, any fees and expenses incident to the performance of the District's obligations hereunder including (i) all expenses in connection with the printing and distribution of the Preliminary Official Statement, the Official Statement and any amendment or supplement to either; (ii) all expenses in connection with the preparation, printing, issuance and delivery of the Series 2001 A Bonds; (iii) the fees and disbursements of Steptoe & Johnson PLLC, Bond Counsel; (iv) the fees and disbursements, if any, of James O. Watkins, Jr., Esq., Counsel for the District; (v) all advertising expenses in connection with the public offering of the Series 2001 A Bonds; (vi) the fees and expenses

of Counsel to the Underwriter and the fees and expenses in preparing the Preliminary Official Statement and Official Statement, the Blue Sky Survey, the Legal Investment Memoranda and this Purchase Agreement; and Blue Sky qualification and filing fees; (vii) the fees and expenses of the verification agent; (viii) fees and expenses of the Bond Registrar; and (ix) all other expenses and cost (including the fees and expenses of the District) for the authorization, issuance, sale and distribution of the Series 2001 A Bonds.

8. The Underwriter shall pay from the underwriting spread all other expenses incurred by them in connection with the public offering and distribution of the Series 2001 A Bonds, including all out-of-pocket expenses, travel and other expenses.

9. For so long as the Underwriter, or dealers or banks, if any, participating in the distribution of the Series 2001 A Bonds, are offering Series 2001 A Bonds which constitute the whole or a part of their unsold participations, the District will: (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by Counsel for the Underwriter, unless, in the opinion of Counsel to the District, such amendment or supplement is required to make the Official Statement not misleading, and (b) if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of Bond Counsel or Counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment or a supplement to the Official Statement (in form and substance satisfactory to the Counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The expense of preparing such amendment or supplement shall be borne by the District. For the purposes of this paragraph, the District will furnish such information with respect to themselves as the Underwriter from time to time may request.

10. Neither the members or officers of the District nor their employees shall be personally liable for breach of any representation, agreement or warranty made by the District within this Purchase Agreement.

11. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing as follows:

To the District:

Kingmill Valley Public Service District
P.O. Box 265

Fairmont, West Virginia 26554
Attention: Chairman

To the Underwriter:

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, WV 25301
Attention: Senior Vice President

12. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All agreements of the District in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Series 2001 A Bonds.

13. This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

14. The approval of the Underwriter when required hereunder or the determination of its satisfaction with any document referred to herein shall be in writing signed by the Representative and delivered to the District. This Purchase Agreement shall become legally effective upon its acceptance by the District, as evidenced by the signature of the Chairman of the District in the space provided hereinafter therefor.

15. This Purchase Agreement may be signed in counterparts.

FERRIS, BAKER WATTS, INCORPORATED

By: _____
Its: Senior Vice President

ACCEPTED AND APPROVED:

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

EXHIBIT A

AMOUNTS, MATURITIES AND INTEREST RATE

$520,000 5.80% Term Bonds, Due October 1, 2016 at 100%
$610,000 6.10% Term Bonds, Due October 1, 2025 at 100%

(Accrued interest to be added)

Optional Redemption

Beginning on October 1, 2011, the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2011 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

Mandatory Redemption

The Series 2001 A Bonds maturing on October 1, 2016 and October 1, 2025 are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Amount
2002	$ 20,000
2003	25,000
2004	25,000
2005	25,000
2006	30,000
2007	30,000
2008	30,000
2009	35,000
2010	35,000
2011	40,000
2012	40,000
2013	40,000
2014	45,000
2015	50,000
2016*	50,000

Series 2001 A Bonds Maturing October 1, 2025

Year	Amount
2017	$ 55,000
2018	55,000
2019	60,000
2020	65,000
2021	65,000
2022	70,000
2023	75,000
2024	80,000
2025*	85,000

*Final Maturity

EXHIBIT B

[Letterhead of Steptoe & Johnson PLLC]

[Date of Closing]

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

RE: $1,130,000 Kingmill Valley Public Service District
(West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by Kingmill Valley Public Service District (the "District") $1,130,000 aggregate principal amount of its Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2001 A Bonds and the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated September 6, 2001, between the District and the Underwriter and approved by the District.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the District (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally).

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

(3) The District has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the District, and the District has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 2001 A Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "The Series 2001 A Bonds," "Security for the Series 2001 A Bonds," "Financing Plan," "Tax Matters," "Legal Matters," "Continuing Disclosure," and, if applicable, the definitions and the summary of the Resolution in Appendix D to the Official Statement (except for financial or statistical data therein as to which no opinion is hereby expressed) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 2001 A Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

STEPTOE & JOHNSON

EXHIBIT C

[Letterhead of James O. Watkins, Jr., Esq.]

[Date of Closing]

Kingmill Valley Public Service Sewer District
P.O. Box 265
Fairmont, West Virginia 26554

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

$1,130,000
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Ladies and Gentlemen:

We have acted as counsel for Kingmill Valley Public Service District (the "District") and have acted as such in connection with the sale of the above-referenced Series 2001 A Bonds, which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of September 6, 2001 (the "Purchase Agreement") between Ferris, Baker Watts, Incorporated (the "Underwriter") and the District. Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, we have reviewed and examined certain proceedings and documents with respect to the Series 2001 A Bonds, any such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, the Constitution and the laws of the State of West Virginia, specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), the Resolution of the District relating to the Series 2001 A Bonds adopted on September 6, 2001, as supplemented and amended by a resolution adopted September 6, 2001 (collectively, the "Resolution"), the Undertaking, the Purchase Agreement, the Preliminary Official Statement dated August 28, 2001, and the Official Statement dated September 6, 2001, with respect to the issuance and offering of the Series 2001 A Bonds (collectively, the "Official Statement") and a closing certificate of the District. Based on such review and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

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

2. The District has full power and authority to consummate all transactions contemplated by the Series 2001 A Bonds, the Purchase Agreement, the Undertaking and any and other agreements relating thereto, to which the District is a party.

3. The District has duly authorized all action necessary to be taken by it or on its behalf for (i) the execution and delivery of the Undertaking and the Purchase Agreement; (ii) the approval of the distribution of the Official Statement; (iii) the ratification of the actions of the District and the issuance and delivery of the Series 2001 A Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Undertaking and the Purchase Agreement have been duly and validly authorized, executed and delivered by the District and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Resolution has been duly adopted at meetings of the governing body (Board) of the District which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Resolution.

6. The execution and delivery by the District of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the District or, to the best of my knowledge after diligent inquiry and review of the District's records, any agreement or other instrument to which the District is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the District have been taken, and no additional approval, authorization, consent or other order of the District or any public board or body is legally required to allow the District to enter into and perform its obligations under the Purchase Agreement or as described in the Official Statement.

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

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the District is

a party or of which any property of the District is subject, except as described in the Official Statement, which, if determined adversely to the District, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 2001 A Bonds, the Undertaking or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the District to comply with its obligations under the Purchase Agreement, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the District.

10. Based upon our experience as counsel for the District and on our review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Series 2001 A Bonds," "Security for the Series 2001 A Bonds," "The System," "Litigation," and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

We hereby consent to the references made to us in the Official Statement.

Very truly yours,

EXHIBIT D

[Closing Date]

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

Re: $1,130,000 Kingmill Valley Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by Kingmill Valley Public Service District (the "District") of its Sewer Refunding Revenue Bonds, Series 2001 A, in the aggregate principal amount of $1,130,000 (the "Series 2001 A Bonds"). In connection with rendering this opinion, we have examined the Official Statement dated September 6, 2001, the Bond Purchase Agreement dated September 6, 2001 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the District dated as of the closing date (the "Undertaking"), and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the District, counsel for the District, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the Series 2001 A Bonds.

Very truly yours,

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS, SERIES 2001 A

BOND PURCHASE AGREEMENT

September 6, 2001

Kingmill Valley Public Service District
P.O. Box 265
Fairmont, WV 26554

Ladies and Gentlemen:

Ferris, Baker Watts, Incorporated (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the Kingmill Valley Public Service District (the "District"). This offer is made subject to acceptance and execution of this Purchase Agreement by the District prior to 11:59 p.m., local prevailing time on the date hereof, or until withdrawn by the Underwriter upon written notice to the District as permitted herein, whichever shall occur earlier. Upon such acceptance and approval, as evidenced by the signature of the Chairman of the District in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriter.

All capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings set forth in the hereinafter described Resolution.

1. The Kingmill Valley Public Service District (West Virginia) $1,130,000 Sewer Refunding Revenue Bonds, Series 2001 A ("Series 2001 A Bonds") are being issued to provide funds, together with other funds available therefor, to (i) refund the District's Sewer Revenue Bonds, Series 1986 A, issued pursuant to a resolution dated June 10, 1986 (the "1986 Resolution"), originally issued in the aggregate principal amount of $1,008,657 and presently outstanding in the aggregate principal amount of $934,946 (the "Series 1986 A Bonds"); (ii) fund a reserve account (the "Reserve Account") in the sinking fund (the "Sinking Fund") established with the West Virginia Municipal Bond Commission for the Series 2001 A Bonds in an amount equal to the maximum amount of principal and interest which will come due on the Series 2001 A Bonds in any year; and (iii) pay certain costs of issuance of the Series 2001 A Bonds and related costs.

The Series 2001 A Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the Bond Resolution adopted by the Board of the District on September 6, 2001, as supplemented and amended by the Supplemental Resolution adopted by the Board on September 6, 2001 (collectively, the "Resolution"). The Resolution shall be substantially in the form previously submitted to the Underwriter with such changes and amendments as the District's and Underwriter's counsel shall approve.

Upon the terms and conditions and upon the basis of the representations and warranties set forth in this Purchase Agreement, the Underwriter agrees to purchase from the District, and the District agrees to sell to the Underwriter the Series 2001 A Bonds at an aggregate purchase price of $1,096,100 plus interest accrued on the Series 2001 A Bonds from the 1st day of September, 2001, to the date of the Closing, as hereinafter defined. This purchase price reflects an underwriter's discount of $33,900. The Series 2001 A Bonds shall mature on the dates and in the amounts set forth in Exhibit A hereto, and shall bear interest, payable semiannually on April 1 and October 1, commencing April 1, 2002. The Series 2001 A Bonds are subject to optional and mandatory sinking fund redemption as set forth in Exhibit A hereto.

The Underwriter agrees to make a bona fide public offering of the Series 2001 A Bonds at the initial offering prices as set forth in the Official Statement (as hereinafter defined) and in Exhibit A, which prices may be changed from time to time by the Underwriter.

2. Concurrently with the acceptance of this Purchase Agreement by the District, the District shall deliver or cause to be delivered to the Underwriter five copies of the Preliminary Official Statement relating to the Series 2001 A Bonds, substantially in the form of the Preliminary Official Statement dated August 28, 2001 (the "Preliminary Official Statement") and prior to delivery of the Series 2001 A Bonds, five copies of the Official Statement (the "Official Statement") dated the date of this Purchase Agreement, signed on behalf of the District by its Chairman as requested below.

3. The Official Statement has been approved for distribution by the Resolution. The District authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Series 2001 A Bonds.

On August 28, 2001, the District delivered to the Underwriter the Preliminary Official Statement and the Underwriter received a certificate from the District which deemed the Preliminary Official Statement "final" within the meaning of clause (b)(1) of Rule 15c2-12 ("Rule 15c2-12") under the Securities and Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) and Rule G-32 and all other rules of the Municipal Securities Rulemaking Board. The District shall hereafter deliver to the Underwriter, as promptly as practicable but in no event later than September 12, 2001, such number of copies of the final Official Statement as the Underwriter may reasonably request in order for the Underwriter to comply

with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934.

As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplement or amendment thereto, to a nationally recognized municipal securities information repository.

4. At 10:00 a.m. prevailing time, on September 13, 2001, or such other date as shall be agreed upon by the parties to this Purchase Agreement (the "Closing"), the District will deliver or cause to be delivered to the Underwriter, (a) the Series 2001 A Bonds in the form of one certificate for each maturity fully registered in the name of CEDE & CO., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), duly executed by the District and authenticated by the Registrar, and (b) at such other place as we mutually agree upon, will deliver to the Underwriter the other documents required in this Purchase Agreement and by the Resolution. Upon such delivery of the Series 2001 A Bonds, the Underwriter will accept such delivery and pay the purchase price therefor, plus any accrued interest thereon, in immediately available funds to the order of the Depository Bank, for the account of the District. Such delivery shall be made at DTC (or at the offices of the Registrar, if "DTC Fast" delivery is used), with the payment and other requisite actions to be taken at the place designated by the parties to this Purchase Agreement. The Series 2001 A Bonds shall be made available to the Underwriter at DTC forty-eight (48) hours before the Closing, provided that if DTC Fast delivery is used then the Series 2001 A Bonds shall be made available to the Registrar by 4:00 p.m. on September 12, 2001, for the purpose of inspection and packaging. The District also agrees that it shall deliver to The Depository Trust Company the letter of representations, in the form required by The Depository Trust Company (the "DTC Letter of Representations") and the timely payment letter at the times required by The Depository Trust Company.

5. The District represents and warrants to the Underwriter and agrees that:

(a) The District is a public service district and a public corporation and political subdivision of the State of West Virginia in Marion County of said State. The Series 2001 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act");

(b) The District shall have complied and will comply at the Closing in all respects with all applicable statutes and laws, including the Act;

(c) The District has full legal right, power and authority to issue bonds for purposes provided in the Resolution and to enter into this Purchase Agreement, to adopt the Resolution and to issue, sell and deliver the Series 2001 A Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(d) The proceeds of sale of the Series 2001 A Bonds, together with other funds available therefor shall be sufficient to defease the Series 1986 A Bonds and the liens of the resolutions authorizing such bonds, all in accordance with the provisions of the Act;

(e) The information contained in the Preliminary Official Statement and in the Official Statement is and, as of the Closing Date, will be true and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(f) At the time of the District's acceptance hereof and (unless an event occurs of the nature described in subparagraph (i)) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2001 A Bonds (as determined in accordance with subparagraph (k) hereof), the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) If the Official Statement is supplemental or amended pursuant to subparagraph (i) at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2001 A Bonds (as determined in accordance with subparagraph (k) hereof), the Official Statement as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) If during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2001 A Bonds (as determined in accordance with subparagraph (k) hereof) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance approved by the District and acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinion, certification, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

(i) Prior to the District's acceptance hereof, the District delivered to the Underwriter copies of the Preliminary Official Statement which the District deemed final (for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934) as of the date thereof; provided, however, that in making the representation and warranty contained in this paragraph (j) the District shall not be deemed to have made any additional representation or warranty as to the Preliminary Official Statement other than the representation and warranty contained in paragraph (f);

(j) For purposes of this Purchase Agreement, the End of the Underwriting Period for the Series 2001 A Bonds shall mean the earlier of (a) the day of the Closing unless the District has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Series 2001 A Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (b) the date on which notice is given to the District by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the District pursuant to clause (a) above that the "end of the underwriting period" for the Series 2001 A Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the District in writing as soon as practicable following the "end of the underwriting period" for the Series 2001 A Bonds for all purposes of the Rule;

(k) At or prior to the Closing, the District shall have duly authorized, executed and delivered a written continuing disclosure undertaking (an "Undertaking") which complies with the provisions of Rule 15c2-12(b)(5) and which shall be substantially in the form described in the Preliminary Official Statement;

(l) You have duly authorized all necessary action to be taken by you for: (1) the issuance and sale of the Series 2001 A Bonds upon the terms set forth herein, in the Resolution and in the Official Statement; (2) the execution and delivery of the Resolution and the Undertaking; (3) the approval of the Official Statement and the execution of the Official Statement by your Chairman; (4) the refunding of the Series 1986 A Bonds pursuant to the Resolution; (5) the execution, delivery, receipt and due performance of this Purchase Agreement, the Series 2001 A Bonds, the Resolution, the Undertaking and any and all such other agreements and documents as may be required to be executed, delivered and received by you in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (6) the carrying out, giving effect to and consummation of the transactions contemplated hereby and by the Resolution and the Official Statement;

(m) When delivered to and paid for by the Underwriter in accordance with the terms of this Purchase Agreement, the Series 2001 A Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding obligations of the District payable solely from the Net Revenues and moneys pledged therefor under the Resolution and will be entitled to the benefit of the Resolution. Neither the credit nor the taxing power, if any, of the District shall be deemed to be pledged

to, nor shall a tax ever be levied for the payment of the principal of or the interest on the Series 2001 A Bonds;

(n) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to your knowledge, threatened against or affecting you (or, to your knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the validity of the Series 2001 A Bonds, the Undertaking, the Resolution, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated hereby or by the Official Statement or the validity of the Series 2001 A Bonds, the Resolution, the Undertaking, this Purchase Agreement or any agreement or instrument to which you are a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement;

(o) The execution and delivery of the Official Statement, this Purchase Agreement, the Series 2001 A Bonds, the Resolution, the Undertaking and the other agreements contemplated hereby and by the Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on your part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which you are or may be bound, and to your knowledge all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby have been obtained;

(p) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certifications may not be relied upon;

(q) All financial statements of the District included as a part of the Preliminary Official Statement and the Official Statement (the "Financial Statements"), fairly present the District's financial condition as of the respective dates and the results of its operations for the respective periods therein set forth and have been prepared when so indicated in accordance with generally accepted accounting principles consistently applied and since the respective most recent dates as of which information is given in the Preliminary Official Statement or the Official Statement, there has not been any material change in the long-term debt or capitalization of the District or any material adverse change in the general affairs, management, financial position, or results of operations of the District and no material transactions or obligations other than in the ordinary course of business have been entered into with respect to the System by the District, except as reflected in or contemplated by the Official Statement; and

(r) Any certificate signed by the Chairman or any authorized officers and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein. It is understood that the

representations, warranties and covenants by the District contained in this Section 5 and elsewhere in this Purchase Agreement shall not create any general obligation or liability of the District, and that any obligation or liability of the District hereunder or under the Resolution will be payable solely out of the Net Revenues and other income, charges and moneys derived by the District from, or in connection with the sale of the bonds, nor shall any member, official or employee of the District be personally liable therefor.

6. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and agreements of the District made herein. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At or prior to the time of Closing, the Resolution and the Undertaking, as approved by the Underwriter or its counsel, shall have been approved by the appropriate parties, shall have been duly executed, acknowledged, sealed and delivered, shall be in full force and effect and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter.

(b) The Underwriter shall have the right to cancel its obligations hereunder to purchase the Series 2001 A Bonds (such cancellation shall not constitute a default hereunder) by notifying the District in writing of its election to do so between the date hereof and the Closing Date, if at any time hereafter and prior to the Closing Date:

(i) Any legislation, rule or regulation shall be introduced in, or enacted by, the United States House of Representatives or the United States Senate or any committee thereof, or a decision by a court established under Article III of the Constitution of the United States of America, or the Tax Court of the United States, shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed, which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Series 2001 A Bonds;

(ii) Any legislation, ordinance, rule or regulation shall be introduced in or enacted by any governmental body, department or agency of the State of West Virginia or political subdivision thereof, or a decision by any court of competent jurisdiction within the State of West Virginia shall have been rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Series 2001 A Bonds;

(iii) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other government agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering for sale of obligations of the general character of the Series 2001 A Bonds, or the issuance, offering or sale of the Series 2001 A Bonds, including all the underlying obligations, as contemplated hereby or by the Official Statement, is in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities and Exchange Act of 1934, as amended and as then in effect,

or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect;

(iv) Any event shall have occurred or information become known which, in the Underwriter's reasonable opinion, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement or the Underwriter shall have determined that the Preliminary Official Statement or the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(v) A general banking moratorium shall have been established by Federal, New York State or West Virginia authorities;

(vi) In the reasonable opinion of the Underwriter, the market price of the Series 2001 A Bonds, or the market price generally of obligations of the general character of the Series 2001 A Bonds, has been adversely affected because (1) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, (2) the New York Stock Exchange, other national securities exchange or any governmental authority shall have imposed as to the Series 2001 A Bonds or similar obligations any material restrictions not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or (3) war or any outbreak of hostilities or other national or international calamity or crisis shall have occurred or any armed conflict shall have occurred or escalated to such a magnitude as in the reasonable opinion of the Underwriter to have a materially adverse effect on the ability of the Underwriter to market the Series 2001 A Bonds;

(vii) An event described in paragraph 5(i) hereof shall have occurred which in the opinion of the Underwriter requires the preparation and publication of a supplement or amendment to the Official Statement, regardless of whether or not such a supplement or amendment to the Official Statement has been prepared and/or circulated, unless the Underwriter shall have otherwise agreed that this Purchase Agreement shall not be terminated as a result of such event; or

(viii) There shall have been any materially adverse change in the affairs of the District.

(c) At or prior to the Closing, the Underwriter and the District shall receive the following documents, in each case in form and substance satisfactory to us and our counsel:

(1) The unqualified approving opinion, dated as of the Closing Date, of Steptoe & Johnson PLLC, Bond Counsel, in the form attached as Appendix C to the Preliminary Official Statement accompanied by a supplementary opinion of Bond Counsel,

dated as of the Closing Date, substantially in the form attached hereto as Exhibit B and an opinion with respect to the defeasance of the Series 1986 A Bonds;

(2) The opinion of James O. Watkins, Jr., Esq., Fairmont, West Virginia, Counsel for the District, dated the date of Closing and addressed to the Underwriter in the form attached hereto as Exhibit C;

(3) The opinion of Jackson & Kelly PLLC, Charleston, West Virginia, counsel for the Underwriter, dated as of the Closing Date, substantially in the form attached hereto as Exhibit D;

(4) A certificate, satisfactory to the Underwriter, of the Chairman of the District or any other of your duly authorized officers satisfactory to the Underwriter, dated as of the Closing, to the effect that: (i) you have duly performed all of your obligations to be performed at or prior to the Closing and that each of your representations and warranties contained herein are true as of Closing, (ii) you have authorized, by all necessary action, the execution, delivery, receipt and due performance of the Series 2001 A Bonds, the Resolution, the Undertaking and any and all such other agreements and documents as may be required to be executed, delivered and received by you in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to your knowledge no litigation is pending, or to your knowledge threatened, to restrain or enjoin the issuance or sale of the Series 2001 A Bonds or in any way affecting any authority for or the validity of the Series 2001 A Bonds, the Resolution or your existence or powers or the District's right to use the proceeds of the Series 2001 A Bonds to refund the Series 1986 A Bonds, and (iv) the execution, delivery, receipt and due performance of the Series 2001 A Bonds, the Resolution, the Undertaking and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and your compliance with the provisions thereof will not conflict with or constitute on your part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which you are subject or by which you are or may be bound;

(5) Verification of the debt service savings obtained by refunding the Series 1986 A Bonds by Gary K. Bennett, certified public accountant, Fairmont, West Virginia;

(6) Copies of the Resolution, the Undertaking and this Purchase Agreement executed by the parties thereto;

(7) A Certificate of the Bond Registrar to the effect that all conditions precedent contained in the Resolution for the issuance of the Series 2001 A Bonds have been met, and are entitled to the benefit and security of the Resolution;

(8) The Resolution, certified by an authorized official of the District under the seal of the District, as having been duly adopted by the District and as being in full

force and effect, with only such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(9) A final order from the Public Service Commission of West Virginia approving the refunding of the Series 1986 A Bonds;

(10) The written consent of West Virginia Water Development Authority to the refunding of the Series 1986 A Bonds, to the issuance of the Series 2001 A Bonds on a first lien parity basis;

(11) Executed copies of the Undertaking described in paragraph 5(l), in form and substance satisfactory to the Underwriter and counsel to the Underwriter;

(12) A certificate of the District executed by an authorized officer thereof, dated the Closing Date and in form and substance satisfactory to the Underwriter and counsel to the Underwriter, to the effect that the District is obligated by such Undertaking and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5);

(13) Evidence to the effect that the requirements of the Code have been satisfied by the filing of Internal Revenue Service Form 8038-G; and

(14) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request including the opinion of Bond Counsel with respect to the original issue discount, if any.

If the District shall be unable to satisfy or cause to be satisfied the conditions to the Underwriter's obligations in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the District shall have any further obligations, claims or rights hereunder. However, the Underwriter may in its discretion waive in writing one or more conditions imposed by this Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

7. The Underwriter shall be under no obligation to pay, and, if the Series 2001 A Bonds are issued, the District shall pay or cause the District to be paid from the proceeds of the Series 2001 A Bonds, any fees and expenses incident to the performance of the District's obligations hereunder including (i) all expenses in connection with the printing and distribution of the Preliminary Official Statement, the Official Statement and any amendment or supplement to either; (ii) all expenses in connection with the preparation, printing, issuance and delivery of the Series 2001 A Bonds; (iii) the fees and disbursements of Steptoe & Johnson PLLC, Bond Counsel; (iv) the fees and disbursements, if any, of James O. Watkins, Jr., Esq., Counsel for the District; (v) all advertising expenses in connection with the public offering of the Series 2001 A Bonds; (vi) the fees and expenses

of Counsel to the Underwriter and the fees and expenses in preparing the Preliminary Official Statement and Official Statement, the Blue Sky Survey, the Legal Investment Memoranda and this Purchase Agreement; and Blue Sky qualification and filing fees; (vii) the fees and expenses of the verification agent; (viii) fees and expenses of the Bond Registrar; and (ix) all other expenses and cost (including the fees and expenses of the District) for the authorization, issuance, sale and distribution of the Series 2001 A Bonds.

8. The Underwriter shall pay from the underwriting spread all other expenses incurred by them in connection with the public offering and distribution of the Series 2001 A Bonds, including all out-of-pocket expenses, travel and other expenses.

9. For so long as the Underwriter, or dealers or banks, if any, participating in the distribution of the Series 2001 A Bonds, are offering Series 2001 A Bonds which constitute the whole or a part of their unsold participations, the District will: (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by Counsel for the Underwriter, unless, in the opinion of Counsel to the District, such amendment or supplement is required to make the Official Statement not misleading, and (b) if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of Bond Counsel or Counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment or a supplement to the Official Statement (in form and substance satisfactory to the Counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The expense of preparing such amendment or supplement shall be borne by the District. For the purposes of this paragraph, the District will furnish such information with respect to themselves as the Underwriter from time to time may request.

10. Neither the members or officers of the District nor their employees shall be personally liable for breach of any representation, agreement or warranty made by the District within this Purchase Agreement.

11. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing as follows:

To the District:

Kingmill Valley Public Service District
P.O. Box 265

Fairmont, West Virginia 26554
Attention: Chairman

To the Underwriter:

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, WV 25301
Attention: Senior Vice President

12. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All agreements of the District in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Series 2001 A Bonds.

13. This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

14. The approval of the Underwriter when required hereunder or the determination of its satisfaction with any document referred to herein shall be in writing signed by the Representative and delivered to the District. This Purchase Agreement shall become legally effective upon its acceptance by the District, as evidenced by the signature of the Chairman of the District in the space provided hereinafter therefor.

15. This Purchase Agreement may be signed in counterparts.

FERRIS, BAKER WATTS, INCORPORATED

By:_____
Its: Senior Vice President

ACCEPTED AND APPROVED:

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By:_____
Its: Chairman

EXHIBIT A

AMOUNTS, MATURITIES AND INTEREST RATE

$520,000 5.80% Term Bonds, Due October 1, 2016 at 100%
$610,000 6.10% Term Bonds, Due October 1, 2025 at 100%

(Accrued interest to be added)

Optional Redemption

Beginning on October 1, 2011, the Bonds maturing on and after October 1, 2012 are subject to redemption prior to maturity at the option of the District, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed	Redemption Price
October 1, 2011 to September 30, 2012	101%
October 1, 2012 and thereafter	100%

Mandatory Redemption

The Series 2001 A Bonds maturing on October 1, 2016 and October 1, 2025 are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Series 2001 A Bonds Maturing October 1, 2016

Year	Amount
2002	$ 20,000
2003	25,000
2004	25,000
2005	25,000
2006	30,000
2007	30,000
2008	30,000
2009	35,000
2010	35,000
2011	40,000
2012	40,000
2013	40,000
2014	45,000
2015	50,000
2016*	50,000

Series 2001 A Bonds Maturing October 1, 2025

Year	Amount
2017	$ 55,000
2018	55,000
2019	60,000
2020	65,000
2021	65,000
2022	70,000
2023	75,000
2024	80,000
2025*	85,000

*Final Maturity

EXHIBIT B

[Letterhead of Steptoe & Johnson PLLC]

[Date of Closing]

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

RE: $1,130,000 Kingmill Valley Public Service District
(West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by Kingmill Valley Public Service District (the "District") $1,130,000 aggregate principal amount of its Sewer Refunding Revenue Bonds, Series 2001 A (the "Series 2001 A Bonds"). In our capacity as Bond Counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2001 A Bonds and the exclusion of interest on the Series 2001 A Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated September 6, 2001, between the District and the Underwriter and approved by the District.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement has been authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, is a legal, valid, binding and enforceable obligation of the District (except to the extent that enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles affecting creditors' rights generally).

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

(3) The District has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the District, and the District has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 2001 A Bonds.

(4) The statements and information contained in the Official Statement under the captions or subcaptions "The Series 2001 A Bonds," "Security for the Series 2001 A Bonds," "Financing Plan," "Tax Matters," "Legal Matters," "Continuing Disclosure," and, if applicable, the definitions and the summary of the Resolution in Appendix D to the Official Statement (except for financial or statistical data therein as to which no opinion is hereby expressed) do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(5) The Series 2001 A Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

STEPTOE & JOHNSON

EXHIBIT C

[Letterhead of James O. Watkins, Jr., Esq.]

[Date of Closing]

Kingmill Valley Public Service Sewer District
P.O. Box 265
Fairmont, West Virginia 26554

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

$1,130,000
Kingmill Valley Public Service District
(West Virginia)
Sewer Refunding Revenue Bonds, Series 2001 A

Ladies and Gentlemen:

We have acted as counsel for Kingmill Valley Public Service District (the "District") and have acted as such in connection with the sale of the above-referenced Series 2001 A Bonds, which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of September 6, 2001 (the "Purchase Agreement") between Ferris, Baker Watts, Incorporated (the "Underwriter") and the District. Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, we have reviewed and examined certain proceedings and documents with respect to the Series 2001 A Bonds, any such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, the Constitution and the laws of the State of West Virginia, specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), the Resolution of the District relating to the Series 2001 A Bonds adopted on September 6, 2001, as supplemented and amended by a resolution adopted September 6, 2001 (collectively, the "Resolution"), the Undertaking, the Purchase Agreement, the Preliminary Official Statement dated August 28, 2001, and the Official Statement dated September 6, 2001, with respect to the issuance and offering of the Series 2001 A Bonds (collectively, the "Official Statement") and a closing certificate of the District. Based on such review and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

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

2. The District has full power and authority to consummate all transactions contemplated by the Series 2001 A Bonds, the Purchase Agreement, the Undertaking and any and other agreements relating thereto, to which the District is a party.

3. The District has duly authorized all action necessary to be taken by it or on its behalf for (i) the execution and delivery of the Undertaking and the Purchase Agreement; (ii) the approval of the distribution of the Official Statement; (iii) the ratification of the actions of the District and the issuance and delivery of the Series 2001 A Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Undertaking and the Purchase Agreement have been duly and validly authorized, executed and delivered by the District and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Resolution has been duly adopted at meetings of the governing body (Board) of the District which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Resolution.

6. The execution and delivery by the District of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the District or, to the best of my knowledge after diligent inquiry and review of the District's records, any agreement or other instrument to which the District is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the District have been taken, and no additional approval, authorization, consent or other order of the District or any public board or body is legally required to allow the District to enter into and perform its obligations under the Purchase Agreement or as described in the Official Statement.

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

9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the District is

a party or of which any property of the District is subject, except as described in the Official Statement, which, if determined adversely to the District, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 2001 A Bonds, the Undertaking or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the District to comply with its obligations under the Purchase Agreement, or materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the District.

10. Based upon our experience as counsel for the District and on our review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Financing Plan," "The Series 2001 A Bonds," "Security for the Series 2001 A Bonds," "The System," "Litigation," and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

We hereby consent to the references made to us in the Official Statement.

Very truly yours,

EXHIBIT D

[Closing Date]

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301

Re: $1,130,000 Kingmill Valley Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by Kingmill Valley Public Service District (the "District") of its Sewer Refunding Revenue Bonds, Series 2001 A, in the aggregate principal amount of $1,130,000 (the "Series 2001 A Bonds"). In connection with rendering this opinion, we have examined the Official Statement dated September 6, 2001, the Bond Purchase Agreement dated September 6, 2001 (the "Purchase Agreement"), the Continuing Disclosure Agreement between you and the District dated as of the closing date (the "Undertaking"), and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, we are of the opinion that the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the District, counsel for the District, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the Series 2001 A Bonds.

Very truly yours,

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") dated as of September 13, 2001, by and between Kingmill Valley Public Service District (the "District") and Ferris, Baker Watts, Incorporated (the "Purchaser") in connection with the $1,130,000 Kingmill Valley Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds"), issued pursuant to the Bond Resolution adopted by the District on September 6, 2001, and the Supplemental Resolution adopted September 6, 2001 (collectively, the "Resolution"). Capitalized terms used in this Agreement shall have the respective meanings specified in the Resolution or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Purchaser in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The District shall provide Annual Financial Information with respect to each fiscal year of the District, commencing with the fiscal year ending June 30, 2002, by no later than 180 days after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The District shall provide, in a timely manner, notice of any failure of the District to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 1.3. Material Event Notices. (a) If a Material Event occurs, the District shall provide, in a timely manner, notice of each Material Event to (i) either the MSRB or each NRMSIR, (ii) the SID, and (iii) the Purchaser.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption, provided notices shall not be sent for mandatory sinking fund redemptions as set forth in the Official Statement.

Section 1.4. Additional Disclosure Obligations. The District acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the District and that, under some circumstances, additional disclosures or other action in addition to those required by this Agreement may be required to enable the District to fully discharge all of its duties and obligations under such laws.

action in addition to those required by this Agreement may be required to enable the District to fully discharge all of its duties and obligations under such laws.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Agreement. If the District chooses to do so, the District shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.6. No Previous Non-Compliance. The District represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement, as entered into by the District, as issuer, specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of this Agreement if the District provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Transmission of Information and Notices. Unless otherwise required by law, the District shall employ such methods of information and notice transmission as it shall so determine.

Section 2.4. Fiscal Year. The District's current fiscal year is the twelve-month period ending on June 30. The District shall promptly notify (i) each NRMSIR, (ii) the SID and (iii) the Purchaser of each change in its fiscal year.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The District's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the District (1) delivers to the Purchaser an opinion of counsel, addressed to the District and the Purchaser, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the District shall have delivered to the Purchaser an opinion of counsel, addressed to the District and the Purchaser, to the same effect as set forth in clause (2) above, (4) the District shall have delivered to the Purchaser an opinion of Counsel or a determination by a person, in each case unaffiliated with the District (such as bond counsel or the Purchaser) and acceptable to the District, addressed to the District and the Purchaser, to the effect that the amendment does not materially impair the interests of the holders of the Bonds, and (5) the District shall have delivered copies of such opinion(s) and amendment to each NRMSIR and the SID.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the District shall have delivered to the Purchaser an opinion of counsel, addressed to the District and the Purchaser, to the effect that performance by the District and Purchaser under this Agreement as so amended will not result in a violation of the Rule and (3) the District shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the District in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall provide written explanation of such change or changes.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the District to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide Annual Financial Information and Material Event notices, by any holder of Outstanding bonds, or by the Purchaser on behalf of the holders of Outstanding bonds, or (ii), in the case of challenges to the adequacy of the Annual Financial Information so provided, by the Purchaser on behalf of the holders of Outstanding Bonds; provided, however, that the Purchaser shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Purchaser with adequate security and indemnity. The holders' and Purchaser' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the District's obligations under this Agreement.

(c) Any failure by the District or the Purchaser to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following items used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the District's Annual Financial Report (or any successive document which sets forth comprehensive information relating to the financial position of the District), (ii) operating information similar to that set forth in the Official Statement subsection "The System", and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the District, audited by such auditor as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means Steptoe & Johnson PLLC, Charleston, West Virginia, or other nationally recognized bond counsel or counsel expert in federal securities law.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "Material Event" means any of the following events with respect to the Bonds, whether relating to the District or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) modifications to rights of security holders;
(viii) bond calls;
(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(7) "NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Agreement and filing information relating to such NRMSIRs are set forth in Exhibit A hereto.

(8) "Official Statement" means "final official statement," as defined in paragraph f(3) of the Rule.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) "SEC" means the United States Securities and Exchange Commission.

(11) "SID" means, at any time, a then-existing State information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the rule. As of the date of this Agreement, there is no SID.

(12) "State" means the State of West Virginia.

(13) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.2. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof or thereof, or the Bonds, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: _____
Chairman

FERRIS, BAKER WATTS, INCORPORATED

By: _____
Senior Vice President

C0533862

EXHIBIT A
to Continuing Disclosure Agreement

Filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission (subject to change):

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

Standard & Poor's J. J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
Email: NRMSIR@FTID.com

RULE 15c2-12 CERTIFICATE
OF KINGMILL VALLEY PUBLIC SERVICE DISTRICT

The undersigned hereby certifies and represents to Ferris, Baker Watts, Incorporated (the "Underwriter"), that she is a duly appointed and acting officer of Kingmill Valley Public Service District (the "District"), authorized to execute and deliver this Certificate and further certify on behalf of the District to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12, as amended, under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with the offering and sale of the Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated the date hereof, setting forth information concerning the Bonds and the District (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms depending on such matters, all with respect to the Bonds and any underlying obligations.

(4) The information with respect to the District included in the Preliminary Official Statement is final within the meaning of the Rule, except for Permitted Omissions, and is accurate and complete in all material respects except for Permitted Omissions.

(5) If, at any time prior to the execution of the final Bond Purchase Agreement, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter thereof.

(6) The section of the Preliminary Official Statement entitled Continuing Disclosure describes the agreement the District expects to make for the benefit of the Bondholders in the Resolution, as defined by the Preliminary Official Statement, by which the District will undertake to provide ongoing disclosure in accordance with

Section (b)(5)(i) of the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 28th day of August, 2001.

KINGMILL VALLEY PUBLIC SERVICE DISTRICT

By: Betty Waggoner
Its: Chairman

C0532825

[RESERVED]

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

Wesbanco Bank Wheeling, Inc., a national banking corporation, with its principal office in Wheeling, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Kingmill Valley Public Service District (the "Issuer"), adopted September 6, 2001, and a Supplemental Resolution of the Issuer adopted September 6, 2001 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Refunding Revenue Bonds, Series 2001 A, dated September 13, 2001, in the principal amount of $1,130,000 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature this 13th day of September, 2001.

WESBANCO BANK WHEELING, INC.

By: _____
Its: Branch Manager

09/08/01
483960/00001

CH472674.1

Book-Entry-Only Municipal Bonds

Letter of Representations

[To be Completed by Issuer and Agent]

KINGMILL VALLEY PUBLIC SERVICE DISTRICT (West Virginia)
[Name of Issuer]

UNITED NATIONAL BANK
[Name of Agent]

September 10, 2001
[Date]

Attention: Underwriting Department
The Depository Trust Company
55 Water Street 19th Floor
New York, NY 10041-0099

Re: KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS, SERIES 2001 A
[Issue description (the "Securities")]

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the Securities. Agent shall act as trustee, paying agent, fiscal agent, or other agent of Issuer with respect to the Securities. The Securities have been issued pursuant to a trust indenture, bond resolution, or other such document authorizing the issuance of the Securities dated September 6, 2001 (the "Document"). Ferris, Baker Watts, Incorporated ["Underwriter"] is distributing the Securities through The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with its Rules with respect to the Securities, Issuer and Agent, if any, make the following

representations to DTC:

1. Prior to closing on the Securities on September 13, 2001, there shall be deposited with DTC one or more Security certificates registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Securities in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Securities. If, however, the aggregate principal amount of any maturity exceeds $400 million, one certificate shall be issued with respect to each $400 million of principal amount and an additional certificate shall be issued with respect to any remaining principal amount. Each Security certificate shall bear the following legend:

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

Issuer represents: [***Note:*** ***Issuer must represent one of the following, and shall cross out the other.***]

[The Security certificate(s) shall remain in Agent's custody as a "Balance Certificate" subject to the provisions of the Balance Certificate Agreement between Agent and DTC currently in effect.

On each day on which Agent is open for business and on which it receives an instruction originated by a DTC participant ("Participant") through DTC's Deposit/Withdrawal at Custodian ("DWAC") system to increase the Participant's account by a specified number of Securities (a "Deposit Instruction"), Agent shall, no later than 6:30 p.m. (Eastern Time) that day, either approve or cancel the Deposit Instruction through the DWAC system.

On each day on which Agent is open for business and on which it receives an instruction originated by a Participant through the DWAC system to decrease the Participant's account by a specified number of Securities (a "Withdrawal Instruction"), Agent shall, no later than 6:30 p.m. (Eastern Time) that day, either approve or cancel the Withdrawal Instruction through the DWAC system.

Agent agrees that its approval of a Deposit or Withdrawal Instruction shall be deemed to be the receipt by DTC of a new reissued or reregistered certificated Security on registration of transfer to the name of Cede & Co. for the quantity of Securities evidenced by the Balance Certificate after the Deposit or Withdrawal Instruction is effected.]

~~[The Security certificate(s) shall be custodied with DTC.]~~

2. Issuer: (a) understands that DTC has no obligation to, and will not, communicate to its Participants or to any person having an interest in the Securities any information contained in the Security certificate(s); and (b) acknowledges that neither DTC's Participants nor any person having

an interest in the Securities shall be deemed to have notice of the provisions of the Security certificate(s) by virtue of submission of such certificate(s) to DTC.

3. In the event of any solicitation of consents from or voting by holders of the Securities, Issuer or Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall send notice of such record date to DTC no fewer than 15 calendar days in advance of such record date. Notices to DTC pursuant to this Paragraph by telecopy shall be directed to DTC's Reorganization Department, Proxy Unit at (212) 855-5181 or (212) 855-5182. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (212) 855-5187. Notices pursuant to this Paragraph, by mail or by any other means, shall be sent to:

Supervisor, Proxy Unit
Reorganization Department
The Depository Trust Company
55 Water Street 50th Floor
New York, NY 10041-0099

4. In the event of a full or partial redemption or an advance refunding of part of the outstanding Securities, Issuer or Agent shall send a notice to DTC specifying: (a) the amount of the redemption or refunding; (b) in the case of a refunding, the maturity date(s) established under the refunding; and (c) the date such notice is to be mailed to beneficial owners or published (the "Publication Date"). Such notice shall be sent to DTC by a secure means (*e.g.*, legible telecopy, registered or certified mail, overnight delivery) and in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before or, if possible, two business days before the Publication Date. Issuer or Agent shall forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers (if applicable) which includes a manifest or list of each CUSIP submitted in that transmission. (The party sending such notice shall have a method to verify subsequently the use of such means and the timeliness of such notice.) The Publication Date shall be no fewer than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date that the proceeds are deposited in escrow. Notices to DTC pursuant to this Paragraph by telecopy shall be directed to DTC's Call Notification Department at (516) 227-4164 or (516) 227-4190. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (516) 227-4070. Notices to DTC pursuant to this Paragraph, by mail or by any other means, shall be sent to:

Call Notification Department
The Depository Trust Company
711 Stewart Avenue
Garden City, NY 11530-4719

5. In the event of an invitation to tender the Securities, notice by Issuer or Agent to Security holders specifying the terms of the tender and the Publication Date of such notice shall be sent to DTC by a secure means (*e.g.*, legible telecopy, registered or certified mail, overnight delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before or, if possible, two business days before the Publication Date. Issuer or Agent shall forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers (if applicable) which includes a

manifest or list of each CUSIP number submitted in that transmission. (The party sending such notice shall have a method to verify subsequently the use and timeliness of such notice.) Notices to DTC pursuant to this Paragraph and notices of other actions (including mandatory tenders, exchanges, and capital changes) by telecopy shall be directed to DTC's Reorganization Department at (212) 855-5488. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (212) 855-5135. Notices to DTC pursuant to this Paragraph, by mail or by any other means, shall be sent to:

Manager, Reorganization Department
Reorganization Window
The Depository Trust Company
55 Water Street 50th Floor
New York, NY 10041-0099

6. All notices and payment advices sent to DTC shall contain the CUSIP number of the Securities.

7. In the event of a change in the interest rate, Agent shall send notice to DTC of such change and Agent shall indicate the stated coupon rate. Such notice, which shall include Agent contact's name and telephone number, by telecopy shall be directed to DTC's Dividend Department at (212) 855-4555. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (212) 855-4550. Notices to DTC pursuant to this Paragraph, by mail or by any other means, shall be sent to:

Manager, Announcements
Dividend Department
The Depository Trust Company
55 Water Street 25th Floor
New York, NY 10041-0099

8. Issuer or Agent shall provide a written notice of interest payment information, including stated coupon rate information, to DTC as soon as the information is available. Issuer or Agent shall provide this information directly to DTC electronically, as previously arranged by Issuer or Agent and DTC. If electronic transmission has not been arranged, absent any other arrangements between Issuer or Agent and DTC, such information shall be sent by telecopy to DTC's Dividend Department at (212) 855-4555 or (212) 855-4556. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (212) 855-4550. Notices to DTC pursuant to this Paragraph, by mail or by any other means, shall be sent to:

Manager, Announcements
Dividend Department
The Depository Trust Company
55 Water Street 25th Floor
New York, NY 10041-0099

9. Interest payments and principal payments that are part of periodic principal-and-interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in same-day funds no later than 2:30 p.m. (Eastern Time) on the payment date. Issuer shall remit by

1:00 p.m. (Eastern Time) on the payment date all such interest payments due Agent, or at such earlier time as required by Agent to guarantee that DTC shall receive payment in same-day funds no later than 2:30 p.m. (Eastern Time) on the payment date. Absent any other arrangements between Issuer or Agent and DTC, such funds shall be wired to the Dividend Deposit Account number that will be stamped on the signature page hereof at the time DTC executes this Letter of Representations.

10. Agent shall provide DTC's Dividend Department, no later than 12:00 noon (Eastern Time) on the payment date, automated notification of CUSIP-level detail. If circumstances prevent the funds paid to Cede & Co., as nominee of DTC, by 2:30 p.m. (Eastern Time) from equaling the dollar amount associated with the detail payments by 12:00 noon (Eastern Time), Issuer or Agent must provide CUSIP-level reconciliation to DTC no later than 2:30 p.m. (Eastern Time). Reconciliation must be provided by either automated means or written format. Such reconciliation notice, if sent by telecopy, shall be directed to DTC's Dividend Department at (212) 855-4633, and receipt of such reconciliation notice shall be confirmed by telephoning (212) 855-4430.

11. Maturity and redemption payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns, in same-day funds no later than 2:30 p.m. (Eastern Time) on the payment date. Issuer shall remit by 1:00 p.m. (Eastern Time) on the payment date, all maturity and redemption payments due Agent, or at such earlier time as required by Agent to guarantee that DTC shall receive payment in same-day funds no later than 2:30 p.m. (Eastern Time) on the payment date. Absent any other arrangements between Issuer or Agent and DTC, such funds shall be wired to the Redemption Deposit Account number that will be stamped on the signature page hereof at the time DTC executes this Letter of Representations.

12. Principal payments (plus accrued interest, if any) as a result of optional tenders for purchase effected by means of DTC's Repayment Option Procedures shall be received by Cede & Co., as nominee of DTC, or its registered assigns, in same-day funds no later than 2:30 p.m. (Eastern Time) on the payment date. Issuer shall remit by 1:00 p.m. (Eastern Time) on the payment date all such reorganization payments due Agent, or at such earlier time as required by Agent to guarantee that DTC shall receive payment in same-day funds no later than 2:30 p.m. (Eastern Time) on the payment date. Absent any other arrangements between Issuer or Agent and DTC, such funds shall be wired to the Reorganization Deposit Account number that will be stamped on the signature page hereof at the time DTC executes this Letter of Representations.

13. DTC may direct Issuer or Agent to use any other telephone number or address as the number or address to which notices or payments may be sent.

14. In the event of a redemption, acceleration, or any other similar transaction (*e.g.*, tender made and accepted in response to Issuer's or Agent's invitation) necessitating a reduction in the aggregate principal amount of Securities outstanding or an advance refunding of part of the Securities outstanding, DTC, in its discretion: (a) may request Issuer or Agent to issue and authenticate a new Bond certificate, or (b) may make an appropriate notation on the Bond certificate indicating the date and amount of such reduction in principal except in the case of final maturity, in which case the certificate will be presented to Issuer or Agent prior to payment if required.

15. In the event that Issuer determines that beneficial owners of Securities shall be able to obtain certificated Securities, Issuer or Agent shall notify DTC of the availability of Security certificates. In such event, Issuer or Agent shall issue, transfer, and exchange Security certificates in appropriate amounts, as required by DTC and others.

16. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent (at which time DTC will confirm with Issuer or Agent the aggregate principal amount of Securities outstanding). Under such circumstances, at DTC's request, Issuer and Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Securities to any Participant having Securities credited to its DTC accounts.

17. Nothing herein shall be deemed to require Agent to advance funds on behalf of Issuer.

18. This Letter of Representations may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts together shall constitute but one and the same instrument.

19. This Letter of Representations shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to principles of conflicts of law.

20. The sender of each notice delivered to DTC pursuant to this Letter of Representations is responsible for confirming that such notice was properly received by DTC.

21. Issuer recognizes that DTC does not in any way undertake to, and shall not have any responsibility to, monitor or ascertain the compliance of any transactions in the Securities with the following, as amended from time to time: (a) any exemptions from registration under the Securities Act of 1933; (b) the Investment Company Act of 1940; (c) the Employee Retirement Income Security Act of 1974; (d) the Internal Revenue Code of 1986; (e) any rules of any self-regulatory organizations (as defined under the Securities Exchange Act of 1934); or (f) any other local, state, or federal laws or regulations thereunder.

22. Issuer hereby authorizes DTC to provide to Agent listings of Participants' holdings, known as Security Position Listings ("SPLs") with respect to the Securities from time to time at the request of the Agent. DTC charges a fee for such SPLs. This authorization, unless revoked by Issuer, shall continue with respect to the Securities while any Securities are on deposit at DTC, until and unless Agent shall no longer be acting. In such event, Issuer shall provide DTC with similar evidence, satisfactory to DTC, of the authorization of any successor thereto so to act. Requests for SPLs shall be sent by telecopy to the Proxy Unit of DTC's Reorganization Department at (212) 855-5181 or (212) 855-5182. Receipt of such requests shall be confirmed by telephoning (212) 855-5202. Requests for SPLs sent by mail or by any other means shall be directed to the address indicated in Paragraph 3.

23. Issuer and Agent shall comply with the applicable requirements stated in DTC's Operational Arrangements, as they may be amended from time to time. DTC's Operational Arrangements are posted on DTC's website at "www.DTC.org."

24. The following riders, attached hereto, are hereby incorporated into this Letter of Representations:

None

Notes:

A. If there is an Agent (as defined in this Letter of Representations), Agent, as well as Issuer, must sign this Letter. If there is no Agent, in signing this Letter Issuer itself undertakes to perform all of the obligations set forth herein.

B. Under the Rules of the Municipal Securities Rulemaking Board relating to "good delivery", a municipal securities dealer must be able to determine the date that a notice of a partial call or of an advance refunding of a part of an issue is distributed or published (the "Publication Date"). The establishment of such a Publication Date is addressed in Paragraph 3 of the Letter.

C. Schedule B contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

KINGMILL VALLEY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

[Issuer]

By: Betty Waggoner

[Authorized Officer's Signature]

UNITED NATIONAL BANK

[Agent]

By: Kit Smith VP

[Authorized Officer's Signature]

FAST AGENT #2719

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: Denise Russo

Funds should be wired to:

The Chase Manhattan Bank
ABA # 021 000 021
For credit to a/c Cede & Co.
c/o The Depository Trust Company

[Select Appropriate Account.]

Dividend Deposit Account # 066-026776

Redemption Deposit Account # 066-027306

Reorganization Deposit Account # 066-027608

cc: Underwriter
Underwriter's Counsel

mbnd1319-7/99

SCHEDULE A

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
SEWER REFUNDING REVENUE BONDS, SERIES 2001

CUSIP	PRINCIPAL AMOUNT	MATURITY DATE	INTEREST RATE
49579KAB9	$ 520,000	October 1, 2016	5.800%
49579KAA1	$ 610,000	October 1, 2025	6.100%

9/10/01
483960/00001

CH472774.1

SCHEDULE B

SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC–bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $400 million, one certificate will be issued with respect to each $400 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

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

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

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

REGISTRAR AGREEMENT

THIS AGREEMENT, dated as of the 13th day of September, 2001, by and between KINGMILL VALLEY PUBLIC SERVICE DISTRICT, a public service district, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED NATIONAL BANK, Charleston, West Virginia, a national banking association (the "Bank").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $1,130,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2001 A, in fully registered form (the "Bonds"), pursuant to a Resolution adopted September 6, 2001 as supplemented (collectively, the "Bond Legislation");

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

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

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Agreement does appoint the Bank to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar, as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement, the Issuer hereby agrees to pay to the Bank, the compensation for services rendered as provided in the annexed fee schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER:	Kingmill Valley Public Service District P.O. Box 265 Fairmont, West Virginia 26578-0265 Attention: Chairman
REGISTRAR:	United National Bank 500 Virginia Street Charleston, West Virginia 25301 Attention: Corporate Trust Department

8. The Bank is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

9. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in their respective names and on their behalf, all as of the day and year first above-written.

KINGMILL VALLEY PUBLIC
SERVICE DISTRICT

Chairman

UNITED NATIONAL BANK

Vice President

09/08/01
483960.00001

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FEE SCHEDULE

$1,130,000

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

CERTIFICATE OF REGISTRATION OF BOND

UNITED NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the Sewer Refunding Revenue Bonds, Series 2001 A, of Kingmill Valley Public Service District (the "Issuer"), hereby certifies that on the day hereof, the fully registered Kingmill Valley Public Service District Sewer Refunding Revenue Bond, Series 2001 A, of the Issuer, dated September 1, 2001, in the aggregate principal amount of $1,130,000, numbered AR-1 and AR-2, were registered as to principal and interest in the name of "Cede & Co." in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of United National Bank, as Registrar.

WITNESS my signature on this 13th day of September, 2001.

UNITED NATIONAL BANK

By: _____
Its: Vice President

09/08/01
483960/00001

State of West Virginia
WATER DEVELOPMENT AUTHORITY

180 Association Drive, Charleston, WV 25311-1571
(304) 558-3612 - (304) 558-0299 (Fax)
Internet: www.wvwda.org - Email: contact@wvwda.org

KINGMILL VALLEY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2001 A

CONSENT OF WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

In reliance upon the defeasance opinion and the certificate of the certified public accountant of the Issuer of even date hereof, the undersigned duly authorized representative of the West Virginia Water Development Authority, the registered owner of the Series 1986 A Bonds, hereinafter defined and described, hereby consents to (1) the issuance of the Sewer Refunding Revenue Bonds, Series 2001 A (the "Bonds"), in the original aggregate principal amount of $1,130,000, by Kingmill Valley Public Service 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") and the Sewer Revenue Bonds, Series 1999 A (the "Series 1999 A Bonds"); (2) the prepayment of the Issuer's Sewer Revenue Bonds, Series 1986 A; and (3) the advance of the lien position of the Series 1986 B Bonds from a second lien to a first lien.

WITNESS my signature on this 13th day of September, 2001.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: _____
Its: Authorized Representative

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW
Clarksburg Charleston Morgantown Martinsburg Wheeling Parkersburg

Bank One Center, Seventh Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoelaw.com

Writer's Contact Information
(304) 353-8196 - Telephone
(304) 353-8181 - Fax
stumpjc@steptoe-johnson.com

September 17, 2001

Kingmill Valley Public Service District
Sewer Refunding Revenue Bonds, Series 2001 A

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service
Internal Revenue Service Center
Ogden, Utah 84201

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 envelope.

Thank you for your attention to this letter. If you have any questions regarding any of the issues set forth herein, or if I can be of any service, please do not hesitate to call.

My best regards.

Very truly yours,

John C. Stump

JCS/bal
Enclosure

cc: Betty Waggoner, Chairman

483960/00001

CH473994.1

TERRALEX
Member of the Worldwide Network of Independent Law Firms℠

Form **8038-G** (Rev. November 2000) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority — If Amended Return, check here ▶ ☐

1 Issuer's name: Kingmill Valley Public Service District

2 Issuer's employer identification number: 55 0597316

3 Number and street (or P.O. box if mail is not delivered to street address): P. O. Box 265 — Room/suite:

4 Report number: 3 2001 - 1

5 City, town, or post office, state, and ZIP code: Fairmont, West Virginia 26554

6 Date of issue: September 13, 200

7 Name of issue: Kingmill Valley Public Service District - $1,130,000 Sewer Refunding Revenue Bonds, Series 2001 A

8 CUSIP number: 49579KAA1

9 Name and title of officer or legal representative whom the IRS may call for more information: John C. Stump Esquire

10 Telephone number of officer or legal representative: (304) 353-8196

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

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☒ Environment (including sewage bonds)	15	1,130,000
16	☐ Housing	16	
17	☐ Utilities	17	
18	☐ Other. Describe ▶	18	

19 If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐

20 If obligations are in the form of a lease or installment sale, check box ▶ ☐

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	10-1-2025	$ 1,130,000	$ 85,000	15.240 years	6.0004428 %

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

22	Proceeds used for accrued interest			22	2,245.67
23	Issue price of entire issue (enter amount from line 21, column (b))			23	1,130,000.00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	77,217.00		
25	Proceeds used for credit enhancement	25	-0-		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	93,010		
27	Proceeds used to currently refund prior issues	27	955,287.45		
28	Proceeds used to advance refund prior issues	28	-0-		
29	Total (add lines 24 through 28)			29	1,125,514.45
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	4,485.55

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

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ 16.626 years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ NA years

33 Enter the last date on which the refunded bonds will be called ▶ Oct. 1, 2001

34 Enter the date(s) the refunded bonds were issued ▶ June 12, 1986

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	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 ▶ NA		
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 ▶ ☐ and enter the name of the issuer ▶ NA and the date of the issue ▶ NA

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☒

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

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.

Betty J Waggoner — Signature of issuer's authorized representative — Date 9/13/01 — Betty Waggoner, Chairma: — Type or print name and title

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

NEW ISSUE REPORT FORM

Date of Report: September 13, 2001

(See Reverse for Instructions)

ISSUE: Kingmill Valley Public Service District Sewer Refunding Revenue Bonds, Series 2001 A

ADDRESS: P.O. Box 265, Fairmont, WV 26554 COUNTY: Marion

PURPOSE OF ISSUE: New Money: ____ Refunding: X

REFUNDS ISSUE(S) DATED: June 12, 1986

ISSUE DATE: September 13, 2001

CLOSING DATE: September 13, 2001

ISSUE AMOUNT: $1,130,000

RATE: See attached Debt Service Schedule

1ST DEBT SERVICE DUE: April 1, 2002

1ST PRINCIPAL DUE: October 1, 2002

1ST DEBT SERVICE AMOUNT: $ 39,299.17

PAYING AGENT: Municipal Bond Commission

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

UNDERWRITERS COUNSEL: Jackson & Kelly PLLC
Contact Person: Samme L. Gee, Esquire
Phone: (304) 340-1318

CLOSING BANK: United National Bank
Contact Person: Kathy Smith, VP
Phone: (304) 348-8427

ESCROW TRUSTEE: ____
Contact Person: ____
Phone: ____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Betty Waggoner
Position: Chairman
Phone: (304) 229-5255

OTHER: Water Development Authority
Contact Person: Daniel B. Yonkosky
Function: Executive Director
Phone: (304) 558-3612

DEPOSITS TO MBC AT CLOSE:
By: x Wire
____ Check

x Accrued Interest: $ 2,245.67
____ Capitalized Interest: $ ____
x Reserve Account: $ 93,010.00
x Other: deposit to Series 1986 A Sinking Fund $ 955,287.45

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: ____ Wire
____ Check
____ IGT
x Internal Transfer

____ To Escrow Trustee: $ ____
____ To Issuer $ ____
____ To Cons. Invest. Fund $ ____
x To Other: Series 1986 A Bonds Sinking Fund $ 105,512.55

NOTES: Transfer $105,512.55 from the Series 1986 A Bonds Reserve Fund to the Series 1986 A Bonds Sinking Fund.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: ____
TRANSFERS REQUIRED: ____

CH468834.1

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

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

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

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

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

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

State of West Virginia

Certificate

I, Joe Manchin, III, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 16, ARTICLE 13A OF THE WEST VIRGINIA CODE, AND CHAPTER 16, ARTICLE 13A OF THE 2001 CUMULATIVE SUPPLEMENT TO THE WEST VIRGINIA CODE, AS INDICATED BY THE RECORDS OF THIS OFFICE.

Given under my hand and the Great Seal of the State of West Virginia on

September 13, 2001

Secretary of State

DOP

compliance with an order of the director of the division of environmental protection or the environmental quality board, and the rights, powers, and duties of such municipal corporation and the respective officers and departments thereof, including the sanitary board, are governed by the provisions of this article. (1955, c. 135; 1967, c. 105; 1994, c. 61.)

Applied in City of Morgantown v. Town of Star City, 156 W. Va. 529, 195 S.E.2d 166 (1973).

§ 16-13-24. Article to be construed liberally.

This article being necessary for the public health, safety and welfare, it shall be liberally construed to effectuate the purpose thereof. (1933, Ex. Sess., c. 25, § 24.)

Quoted in West Virginia Water Serv. Co. v. Cunningham, 143 W. Va. 1, 98 S.E.2d 891 (1957).

ARTICLE 13A.

PUBLIC SERVICE DISTRICTS FOR WATER, SEWERAGE AND GAS SERVICES.

Sec.
16-13A-1. Legislative findings.
16-13A-1a. Jurisdiction of the public service commission.
16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.
16-13A-1c. General purpose of districts.
16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.
16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.
16-13A-3a. Removal of members of public service board.
16-13A-4. Board chairman; members' compensation; procedure; district name.
16-13A-5. General manager of board.
16-13A-6. Employees of board.
16-13A-7. Acquisition and operation of district properties.
16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
16-13A-9a. Limitations with respect to foreclosure.
16-13A-10. Budget.
16-13A-11. Accounts; audit.
16-13A-12. Disbursement of district funds.
16-13A-13. Revenue bonds.
16-13A-14. Items included in cost of properties.
16-13A-15. Bonds may be secured by trust indenture.
16-13A-16. Sinking fund for revenue bonds.
16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.
16-13A-18. Operating contracts.
16-13A-18a. Sale, lease or rental of water, sewer or gas system by district; distribution of proceeds.
16-13A-19. Statutory mortgage lien created; foreclosure thereof.
16-13A-20. Refunding revenue bonds.
16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.
16-13A-23. Validation of acts and proceedings of public service boards.
16-13A-24. Acceptance of loans, grants or temporary advances.
16-13A-25. Borrowing and bond issuance; procedure.

Editor's notes. — Acts 1989, 1st Ex. Sess., c. 3, redesignated the board of health and the department of health as the division of health, within the department of health and human resources. See also, Acts 1997, c. 225.

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

Constitutionality. — The act from which this article was derived, authorizing the creation of public service districts by the county courts of this State, defining the powers and duties of the governing boards of such districts in the acquisition, construction, maintenance, operation, improvement and extension of property supplying water and sewerage services, and authorizing the issuance of bonds of such districts payable solely from revenue to be derived from the operation of such properties, does not violate any provision of the Constitution of this State or the Fourteenth Amendment to the Constitution of the United States. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Purpose. — The purpose of this article is to provide water and sewerage facilities in unincorporated districts. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

The title to Acts 1953, c. 147, is sufficient to give a fair and reasonable index to all of the purposes of the act. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Public utilities. — Public service districts are "public utilities" because they are required to pay a special license fee pursuant to § 24-3-6 for support of the public service commission. 50 Op. Att'y Gen. 447 (1963).

Cited in Berkeley County Pub. Serv. Dist. v. Vitro Corp. of Am., 152 W. Va. 252, 162 S.E.2d 189 (1968); State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987); McClung Invs., Inc. v. Green Valley Community Pub. Serv. Dist., 485 S.E.2d 434 (W. Va. 1997).

§ 16-13A-1. Legislative findings.

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been unable to obtain public utility services. To further this effort, and to ensure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best

interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts. (1953, c. 147; 1980, c. 60; 1986, c. 81.)

Authority of county commissions. — The county courts (now county commissions) may not supersede the authority delegated by them to public service districts created in accordance with the provisions of this article. Op. Att'y Gen., June 27, 1973.

Public service district — Authority. — A public service district, which was created only for the purposes of furnishing water services, has no power to condemn real estate for sewerage facilities. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

Public service district — Purpose. — The purpose for the creation of a public service district may be ascertained by a review of the order establishing the district and the history behind the creation of the district (the notice of hearing and hearings held prior to the creation of the district). Op. Att'y Gen., July 8, 1976.

Cited in State ex rel. APCO v. Gainer, 149 W. Va. 740, 143 S.E.2d 351 (1965); Shobe v. Latimer, 162 W. Va. 779, 253 S.E.2d 54 (1979).

§ 16-13A-1a. Jurisdiction of the public service commission.

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers, and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b [§ 16-13A-1b] of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters. (1986, c. 81.)

Cited in State ex rel. Water Dev. Auth. v. Northern Wayne County Pub. Serv. Dist., 195 W. Va. 135, 464 S.E.2d 777 (1995).

§ 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative

services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification: Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission. Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission. (1986, c. 81; 1994, c. 61.)

§ 16-13A-1c. General purpose of districts.

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of, properties supplying water or sewerage services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with (1) the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (herein sometimes referred to as "water facilities"), (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills") or (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"). (1986, c. 81.)

§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) on its own motion by order duly adopted, (2) upon the recommendation of the public service commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: Provided, That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the public service commission, which approval and consent shall be in accordance with rules promulgated by the public service commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: Provided, however, That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services or gas facilities not being furnished within such territory or part thereof: Provided further, That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or

consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the public service commission for such purpose: Provided, That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the public service commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: Provided, however, That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the public service commission. The public service commission shall provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The public service commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the public service commission pursuant to this section and section one-b [§ 16-13A-1b] of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: Provided, That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive, all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the public service commission shall apply. The commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: Provided, however, That where two or more public service districts are consolidated

pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the secretary of state and the public service commission by the first day of July of each year. (1953, c. 147; 1965, c. 134; 1967, c. 105; 1975, c. 140; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1995, c. 125.)

Editor's notes. — Concerning the reference in (a) to "the effective date of this section," this language was added by Acts 1986, c. 81, which passed March 8, 1986, and became effective ninety days from passage.

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

Constitutionality. — There is no unlawful delegation of legislative power to the county courts (now county commissions) of this State under this section in violation of W. Va. Const., art. V, § 1, and art. VI, § 1. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

There is no unconstitutional delegation of judicial functions to the county court (now county commission) made by this section. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Authority of commission and voters. — (1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district; (2) in the absence of any action by a county commission, the requisite number of qualified voters in the affected geographic area may petition a county commission to create, enlarge or reduce a public service district, and, that upon the filing of such petition, a hearing shall be held thereon; (3) the county commission may, in its discretion, refuse to act in an affirmative manner upon such formal petition for creation, enlargement or reduction of such public service district, which action is not subject to protest or public referendum; (4) the county commission may, on its own motion or on the basis of such proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action. Op. Att'y Gen., Nov. 13, 1975.

Authority of court. — A county court (now county commission) has authority to add sewerage services to the facilities of a public service district which was created for the purpose of furnishing water services, under appropriate proceedings. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

Compliance. — The provisions of this section relating to the filing of the petition or motion of the county court (now county commission), the description of the territory to be embraced and like provisions are mandatory, but the use of the word "shall," in relation to the requirements for the posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

Merger or consolidation of districts. — This section authorizes either merger or consolidation of public service districts. Op. Att'y Gen., June 12, 1985, No. 9.

A merger or consolidation results in one corporation which, in the case of merger, will be the corporation designated by the commissioners as the surviving corporation, and with respect to a consolidation, will be a new corporate entity. Op. Att'y Gen., June 12, 1985, No. 9.

Overlapping districts. — Where there is no bond indebtedness outstanding to be paid by a public service district, the county commission creating a public service district may undertake to enlarge or reduce the areas of various overlapping districts or may even consolidate the overlapping districts into one district. Op. Att'y Gen., July 8, 1976.

Public corporation. — A public service district is a public corporation and does not come within the constitutional inhibition requiring all corporations to be created by general law. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Referendum. — There is no authority for voters, by written protest or otherwise, to force a referendum upon the issue of whether or not a created public service district should be continued or abolished. 52 Op. Att'y Gen. 33 (1966).

"Shall apply with like effect," etc. — Because a protest against creation triggers a referendum, the language "shall apply with like effect as if a district were being created" can mean only that a protest against enlargement or reduction likewise triggers a referendum. Op. Att'y Gen., Nov. 13, 1975.

Cited in State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987).

§ 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the

resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two [§ 16-13A-2] of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating

the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a [§ 16-13A-3a] of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly. (1953, c. 147; 1965, c. 134; 1971, c. 72; 1981, c. 124; 1983, c. 166; 1986, c. 81; 1994, c. 61; 1997, c. 159.)

Effect of amendment of 1997. — The amendment, in the third and fourth paragraphs, added "except in cases of merger or consolidation where the number of board members may equal five" at the end; in the fourth paragraph, inserted "and residing within the state of West Virginia" following "who are persons residing within the district"; in the fifth paragraph, inserted "except in the cases of merger or consolidation where the number of board members may equal five" in the middle of the paragraph; in the seventh paragraph, added the third sentence; in the ninth paragraph, added the third and fourth sentences; and made stylistic changes.

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

W. Va. Law Review. — Fisher, "The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ?," 98 W. Va. L. Rev. 449 (1996).

Authority of districts. — Public service districts are agents of the county commission by which they were created, having no authority other than that expressly set out in this article. Op. Att'y Gen., July 8, 1976.

Compensation for additional duties. — Board members of a public service district could not be compensated for performing the duties of treasurer and/or secretary, or for reading meters for the public service district. Op. Att'y Gen., July 14, 1988, No. 2.

Exemptions. — Public service districts of West Virginia are political subdivisions of the State, and as such, they are specifically, by express statute, exempted from the duty of paying registration fees (provided by § 17A-10-8), the privilege tax (imposed by § 17A-3-4), and the certificate of title charge (required by § 17A-3-4). 49 Op. Att'y Gen. 131 (1961).

Furnishing water to another state. — A public service district may furnish water wholesale in bulk quantities to a municipal corporation in another state. 51 Op. Att'y Gen. 739 (1966).

Cited in State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987).

§ 16-13A-3a. Removal of members of public service board.

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal. (1963, c. 75; 1971, c. 72; 1981, c. 124; 1986, c. 81.)

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

Quoted in State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987).

§ 16-13A-4. Board chairman; members' compensation; procedure; district name.

The chairman shall preside at all meetings of the board and may vote as any other members of the board but if he should be absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting. Salaries of each of its board members shall be as follows: For districts with fewer than six hundred customers, each board member may receive seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum; for districts with six hundred customers or more but fewer than two thousand customers, each board member may receive one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per

attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum; for districts with two thousand customers or more, each board member may receive one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and for districts with four thousand or more customers, each board member may receive one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum. The public service district shall certify the number of customers served to the public service commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter. Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board. The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three [§ 6-9A-3], article nine-a, chapter six of this code. Emergency meetings may be called as provided by said section. A majority of the members constituting the board also constitute a quorum to do business. The members of the board are not personally liable or responsible for any obligations of the district or the board but are answerable only for willful misconduct in the performance of their duties. At any time prior to the issuance of bonds as hereinafter provided, the board may by resolution change the official or corporate name of the public service district and such change shall be effective from and after filing an authenticated copy of such resolution with the clerk of the county commission of each county in which the territory embraced within such district or any part thereof is located and with the public service commission. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located. (1953, c. 147; 1981, c. 124; 1986, c. 81; 1997, c. 159.)

Effect of amendment of 1997. — The amendment rewrote the second sentence; in the fourth sentence, deleted "and regulations" following "as provided for by the rules"; in the seventh sentence, substituted "as provided by said section" for "as provided by section three, article nine-a, chapter six of this code"; added "and with the public service commission" at the end of the tenth sentence; and made stylistic changes.

Compensation for performing additional duties. — Board members of a public service district could not be compensated for performing the duties of treasurer and/or secretary, or for reading meters for the public service district. Op. Att'y Gen., July 14, 1988, No. 2.

§ 16-13A-5. General manager of board.

The board may employ a general manager to serve a term of not more than five years and until his successor is employed, and his compensation shall be fixed by resolution of the board. Such general manager shall devote all or the

required portion of his time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he shall perform and exercise such other powers and duties as may be conferred upon him by the board.

Such general manager shall be chosen without regard to his political affiliations and upon the sole basis of his administrative and technical qualifications to manage public service properties and affairs of the district and he may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water or sewer service from a municipal water of sewer system or another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water or sewer system or public service district from which such water or sewer service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service. (1953, c. 147; 1981, c. 124; 1986, c. 81.)

§ 16-13A-6. Employees of board.

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of employment and compensation and prescribe the duties to be performed by such employees. (1953, c. 147; 1981, c. 124.)

§ 16-13A-7. Acquisition and operation of district properties.

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two [§ 16-13A-2] of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor

shall be utilized to the greatest extent possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years. (1953, c. 147; 1967, c. 105; 1981, c. 124; 1982, c. 24; 1986, c. 81; 1997, c. 159.)

Effect of amendment of 1997. — The amendment, in the second sentence, substituted "more than fifteen thousand dollars" for "more than five thousand dollars"; and in the sixth sentence, made a stylistic change.

§ 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities or gas facilities for water, sewer or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof. (1953, c. 147; 1980, c. 60; 1981, c. 124.)

Eminent domain. — The grant of power of eminent domain to public service districts by this section is valid. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

If a facility creates a nuisance this harm is simply an element of just compensation in an eminent domain proceeding. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Public service commission, in the absence of specific statutory authority, is not empowered to determine whether particular property interests acquired or to be acquired by a utility are compensable in an eminent domain action, or to render any type of monetary judgment for such property interests. Affixing the value of the property taken is the function of the trier of fact in an eminent domain proceeding. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Cited in 45 Op. Att'y Gen. 506 (1953).

§ 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.

The board may make, enact and enforce all needful rules and regulations in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district, and the board shall establish rates and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of such public service properties and principal of and interest on all bonds issued,

other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds hereunder. The schedule of such rates and charges may be based upon either (a) the consumption of water or gas on premises connected with such facilities, taking into consideration domestic, commercial, industrial and public use of water and gas; or (b) the number and kind of fixtures connected with such facilities located on the various premises; or (c) the number of persons served by such facilities; or (d) any combination thereof; or (e) may be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. Where water, sewer and gas services are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate thereof. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. All new applicants for service shall deposit a minimum of fifty dollars with the district to secure the payment of service rates and charges in the event they become delinquent as provided in this section. In any case where a deposit is forfeited to pay service rates and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another minimum deposit of fifty dollars has been remitted to the district. Whenever any rates, rentals or charges for services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the property and the owner thereof, as well as the user of the services and facilities provided are delinquent and the owner, user and property are liable at law until such time as all such rates and charges are fully paid: Provided, That the property owner shall be given notice of any said delinquency by certified mail, return receipt requested. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both: Provided, however, That upon written request of the owner or owners of the premises, the board shall shut off and discontinue water and gas services where any rates, rentals, or charges for services or facilities remain unpaid by the user of the premises for a period of sixty days after the same became due and payable.

In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities, either water or sewer, as the case may be, then the district and such publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: Provided, That any contracts entered into by

a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: Provided, however, That any termination of water service must comply with all rules and orders of the public service commission.

Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the bureau of public health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any such sewer facilities, where sewage will flow by gravity or be transported by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine [§ 16-1-9], article one, chapter sixteen of this code, from such houses, dwellings or buildings into such sewer facilities, to connect with and use such sewer facilities, and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such houses, dwellings and buildings where there is such gravity flow or transportation by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, and such houses, dwellings and buildings can be adequately served by the sewer facilities of the district, and it is hereby found, determined and declared that the mandatory use of such sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of such districts and of the state: Provided, That if the public service district determines that the property owner must connect with the sewer facilities even when sewage from such dwellings may not flow to the main line by gravity and the property owner must incur costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for such changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump, or any other method approved by the bureau of public health; maintenance and operation costs for such extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of such petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near such sewer

facility, and the engineer for the district has certified that such sewer facilities are available to and are adequate to serve such owner, tenant or occupant, and sewage will flow by gravity or be transported by such other methods approved by the bureau of public health from such house, dwelling or building into such sewer facilities, the district may charge, and such owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner.

All delinquent fees, rates and charges of the district for either water facilities, sewer facilities or gas facilities are liens on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts.

Anything in this section to the contrary notwithstanding, any establishment, as defined in section three [§ 22-11-3], article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven [§ 22-11-11], article eleven, chapter twenty-two of this code, is exempt from the provisions of this section. (1953, c. 147; 1965, c. 134; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1989, c. 174; 1994, c. 61.)

W. Va. Law Review. — Fisher, "The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ?," 98 W. Va. L. Rev. 449 (1996).

Abandonment of private systems. — Where a public service district requires a property owner, tenant, or occupant to connect onto its sewer system and to abandon a private sewer system located on the property, such person cannot recover from the public service district the value of the private system on the ground that such abandonment constitutes a taking of private property without just compensation within the meaning of W. Va. Const., art. III, § 9. Kingmill Valley Pub. Serv. Dist. v. Riverview Estates Mobile Home Park, 182 W. Va. 116, 386 S.E.2d 483 (1989).

Buffer-zone requirements. — Public Service Commission did not err in finding that the proposed sewage lagoons site satisfied the buffer-zone requirements. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Duty to pay. — Owners, tenants, or occupants have a duty under this section to pay rates and charges for the district sewer facilities from and after the date of receipt of notice (now 30 days after receipt) that such facilities are available. Rhodes v. Malden Pub. Serv. Dist., 171 W. Va. 645, 301 S.E.2d 601 (1983) (construing this section prior to 1980 and 1981 amendments).

Liens. — The provision that delinquent fixed rates and charges for services rendered by a public service district shall be a lien on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes, does not deprive the owners of their property without due process of law. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Public service district liens created and enforceable under this section are subject to the recordation requirements of § 38-10C-1 so that such liens must be docketed to be enforceable against a purchaser of the property for valuable consideration, without notice. McClung Invs., Inc. v. Green Valley Community Pub. Serv. Dist., 485 S.E.2d 434 (W. Va. 1997).

Sewer connection requirements. — The boards of public service districts have no authority to require potential users who live outside the boundaries of the districts, but within the 10-mile limit, to hook onto the district's sewer facilities. Op. Att'y Gen., July 8, 1976.

Quoted in State ex rel. Water Dev. Auth. v. Northern Wayne County Pub. Serv. Dist., 195 W. Va. 135, 464 S.E.2d 777 (1995).

§ 16-13A-9a. Limitations with respect to foreclosure.

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen [§§ 16-13A-9 or 16-13A-19] of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought. (1982, c. 74.)

§ 16-13A-10. Budget.

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board, and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board. (1953, c. 147; 1981, c. 124.)

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

§ 16-13A-11. Accounts; audit.

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited

annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine [§ 6-9-1 et seq.], chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both. (1953, c. 147; 1981, c. 124; 1986, c. 81.)

Textbooks. — Instructions for Virginia and West Virginia. Publisher's Editorial Staff (Michie).

§ 16-13A-12. Disbursement of district funds.

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board. (1953, c. 147; 1981, c. 124.)

§ 16-13A-13. Revenue bonds.

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such

form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolution or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized. (1953, c. 147; 1970, cc. 11, 12; 1970, 1st Ex. Sess., c. 2; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 1989, c. 174.)

Cross references. — Procedure for borrowing and issuing bonds, § 16-13A-25.

§ 16-13A-14. Items included in cost of properties.

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof. (1953, c. 147.)

§ 16-13A-15. Bonds may be secured by trust indenture.

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or

without the State of West Virginia, but no such trust indenture shall convey, mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee. (1953, c. 147.)

§ 16-13A-16. Sinking fund for revenue bonds.

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions. (1953, c. 147.)

§ 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or

refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided. (1953, c. 147.)

Rules of Civil Procedure. — As to abolition of the procedural distinctions between law and equity, see Rule 2.

As to receivers, see Rule 66.

As to application of rules to writ of mandamus, see Rule 81(a)(5).

As to effect of rules on jurisdiction and venue, see Rule 82.

Mandamus. — Mandamus is a proper remedy to be pursued by the holder of a municipal revenue bond to require a municipal corporation to comply with rate covenants in its revenue bonds. State ex rel. Allstate Ins. Co. v. Union Pub. Serv. Dist., 151 W. Va. 207, 151 S.E.2d 102 (1966).

Under this section, any holder of the bonds of the Union public service district shall have the right by mandamus to enforce and compel the performance of all the duties required by statute or undertaken by the district in connection with the issuance of bonds by such district. State ex rel. Allstate Ins. Co. v. Union Pub. Serv. Dist., 151 W. Va. 207, 151 S.E.2d 102 (1966).

§ 16-13A-18. Operating contracts.

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid. (1953, c. 147.)

§ 16-13A-18a. Sale, lease or rental of water, sewer or gas system by district; distribution of proceeds.

In any case where a public service district owns a water, sewer or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer or gas system to any municipality or privately-owned water, sewer or gas system, or to any water, sewer or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three [§ 59-3-1 et seq.], chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer or gas system is located to be placed in the general funds of such county commission. (1963, c. 75; 1981, c. 124; 1986, c. 81; 1997, c. 160.)

Effect of amendment of 1997. — The amendment, in the first paragraph, substituted "a majority of not less than sixty percent of" for "all" preceding "the members of the public service board"; and rewrote the proviso.

§ 16-13A-19. Statutory mortgage lien created; foreclosure thereof.

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property. (1953, c. 147.)

Rules of Civil Procedure. — As to abolition of the procedural distinctions between law and equity, see Rule 2.

In general. — The provision granting bondholders a statutory mortgage lien is valid. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

§ 16-13A-20. Refunding revenue bonds.

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded. (1953, c. 147.)

In general. — The only purpose for refunding bonds is the retirement or refinancing of outstanding bond issues of a particular district. Op. Att'y Gen., July 8, 1976.

Combination of bond issues. — Combination of two outstanding bond issues into one refunding bond issue may well be restricted by the use of the singular language in this section. Op. Att'y Gen., July 8, 1976.

Previous issuance of bonds. — This section is clearly written in language which speaks only of refunding bonds issued by any district which has previously issued bonds. Op. Att'y Gen., July 8, 1976.

§ 16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent. (1953, c. 147; 1986, c. 81; 1994, c. 61.)

Constitutionality. — The tax exemption granted to the property, income, and bonds of the district does not violate W. Va. Const., art. X, § 1. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Applied in Rhodes v. Malden Pub. Serv. Dist., 171 W. Va. 645, 301 S.E.2d 601 (1983).

§ 16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.

All acts and proceedings taken by any county court [county commission] of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect [January 29, 1960], for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city, incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members; and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article. (1958, c. 14; 1960, c. 19.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

§ 16-13A-23. Validation of acts and proceedings of public service boards.

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect [March 13, 1965], by any county court [county commission] of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act. (1958, c. 14; 1960, c. 19; 1965, c. 134.)

Editor's notes. — As to the designation of county courts as county commissions, see W. Va. Const., art. IX, § 9.

§ 16-13A-24. Acceptance of loans, grants or temporary advances.

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this article, the revenues of the said water system, sewage system or gas facilities or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument. (1958, c. 14; 1980, c. 60; 1981, c. 124; 1986, c. 118.)

Permissible borrowing. — The borrowing by public service districts of money from counties and/or municipalities, as evidenced by a note, is permissible borrowing under this section. Op. Att'y Gen., May 6, 1988, No. 27.

§ 16-13A-25. Borrowing and bond issuance; procedure.

Notwithstanding any other provisions of this article to the contrary, a public service district shall not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four [§ 16-13A-13, § 16-13A-20 or § 16-13A-24] of this article, without the prior consent and approval of the public service commission. The public service commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or

feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, evidence of compliance with chapter five-g [§ 5G-1-1 et seq.] of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to: (1) Experience with the same engineering firm in the past two years requiring engineering services; or (2) completion of a construction project within the past two years requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver. Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the public service commission in accordance with the provisions of chapter twenty-four [§ 24-1-1 et seq.] of this code, when a public service district is seeking to acquire or construct public service property.

Thirty days prior to making formal application for the certificate, the public service district shall prefile with the public service commission its plans and supporting information for the project and shall publish a Class II legal advertisement in a newspaper or newspapers of general circulation in each city, incorporated town or municipal corporation if available in the public service district, which legal advertisement shall state:

(a) The amount of money to be borrowed, or the amount of revenue bonds to be issued: Provided, That if the amount is an estimate, the notice may be stated in terms of an amount "not to exceed" a specific amount;

(b) The interest rate and terms of the loan or bonds: Provided, That if the interest rate is an estimate, the notice may be stated in terms of a rate "not to exceed" a specific rate;

(c) The public service properties to be acquired or constructed, and the cost of the public service properties;

(d) The anticipated rates which will be charged by the public service district: Provided, That if the rates are an estimate, the notice may be stated in terms of rates "not to exceed" a specific rate; and

(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the public service commission. The public service commission may grant its consent and approval for the certificate, or any other request for approval under this section, subject to such terms and conditions as may be necessary for the protection of the public interest, pursuant to the provisions of chapter twenty-four of this code, or may withhold such consent and approval for the protection of the public interest.

In the event of disapproval, the reasons for the disapproval shall be assigned in writing by the commission. (1969, 1st Ex. Sess., c. 6; 1981, c. 124; 1986, c. 81; 1996, c. 213; 1997, c. 159.)

Cross references. — Class II legal advertisement defined, § 59-3-2.

Effect of amendment of 1996. — The amendment, in the second paragraph, substituted "Thirty days" for "Sixty days" and inserted "public service" preceding the second occurrence of "district"; inserted "public service" in (d); and made stylistic changes.

Effect of amendment of 1997. — The amendment inserted the second and third sentences of the first paragraph.

Certificate. — Under this section, a public service district must first obtain a certificate of public convenience and necessity before it can acquire or construct public service property. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Eminent domain. — Although construction of a new facility proposed by a utility will often require the taking of private property through eminent domain, in the absence of express statutory language, the public service commission has no duty to review and decide issues that are inherent in the eminent domain proceeding. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

ARTICLE 13B.

COMMUNITY IMPROVEMENT ACT.

Sec.
16-13B-1. Short title.
16-13B-2. Definitions.
16-13B-3. Power and authority of counties and municipalities relating to flood relief, wastewater and water projects.
16-13B-4. Determination of need and feasibility of creating an assessment district.
16-13B-5. Notice to property owners before creation of assessment district and construction of project; form of notice; affidavit of publication.
16-13B-6. Petition of property owners for creation of assessment district.
16-13B-7. Receipt of petition of property owners; ordinance or order authorizing creation of assessment district and construction of project.
16-13B-8. Assessment district to be a public corporation and political subdivision; powers thereof; community improvement boards.
16-13B-9. Provisions for construction of a project.
16-13B-10. Notice to property owners of assessments; hearings, correcting and laying assessments; report on project completion; permits.
16-13B-11. Construction of projects; assessments; corner lots, etc.
16-13B-12. Apportionment and assessment of cost.
16-13B-13. Assessment against property of public, charitable, eleemosynary, educational or religious institutions; duty of those in charge to cause assessments to be paid.
16-13B-14. Method of paying for cost of project; how assessments may be evidenced.
16-13B-15. Assessment certificates; assignments; designation of registrar for assessment certificates.
16-13B-16. No liability of state, county, municipality and assessment district.
16-13B-17. Payment of assessment fees; releases.
16-13B-18. Liens; recording notice of liens; suit for enforcement; priority.
16-13B-19. Reassessment for void, irregular or omitted assessments.
16-13B-20. How additional territory may be added to assessment district.
16-13B-21. Operation and maintenance of wastewater and water projects; rates and charges therefor.
16-13B-22. Liberal construction.

§ 16-13B-1. Short title.

This article shall be known and may be cited as the "West Virginia Community Improvement Act." (1992, c. 150.)

§ 16-13B-2. Definitions.

For purposes of this article:

(a) "Assessment certificate" means a certificate issued by a board pursuant to section fifteen [§ 16-13B-15] of this article to evidence an assessment levied

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quality board, and the rights, powers, and duties of the municipal corporation and the respective officers and departments thereof, including the sanitary board, are governed by the provisions of this article: Provided, That the jurisdiction and authority provided by this section does not extend to highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways and no rates, fees or charges for stormwater services or costs of compliance may be assessed against highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways. (1955, c. 135; 1967, c. 105; 1994, c. 61; 2001, c. 212.)

Effect of amendment of 2001. — Acts 2001, c. 212, effective July 13, 2001, substituted "the" for "such" throughout, substituted "the" for "said" throughout, inserted "fees" following "rates" throughout; in the first paragraph, inserted "and/or stormwater system" following "existing sewer system", inserted "or stormwater system" following "such sewer system"; in the second paragraph, inserted "or stormwater" following "sewage", inserted "or stormwater facilities" following "sewer facilities"; in the fourth paragraph, added "or entire stormwater works" to the end; in the sixth paragraph, deleted "such" following "fixing" and "publication of"; in the eighth paragraph, deleted "such" preceding "rates" twice; and in the last paragraph, added the proviso.

ARTICLE 13A.

PUBLIC SERVICE DISTRICTS FOR WATER, SEWERAGE AND GAS SERVICES.

Sec.
16-13A-4. Board chairman; members' compensation; procedure; district name.

§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.

Applied in Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

§ 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.

Applied in McCloud v. Salt Rock Water Pub. Serv. Dist., 207 W. Va. 453, 533 S.E.2d 679 (2000).

§ 16-13A-4. Board chairman; members' compensation; procedure; district name.

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the public service commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly

meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three [§ 6-9A-3], article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful misconduct in the performance of their duties. At any time prior to the issuance of bonds as hereinafter provided, the board may by resolution change the official or corporate name of the public service district and the change is effective from the filing of an authenticated copy of such resolution with the clerk of the county commission of each county in which the territory embraced within such district or any part thereof is located and with the public service commission. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located. (1953, c. 147; 1981, c. 124; 1986, c. 81; 1997, c. 159; 2000, c. 199.)

Effect of amendment of 2000. — Acts 2000, c. 199, effective June 9, 2000, rewrote the section.

§ 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.

Superior right of municipality to extend public services. — If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right under this section to extend public services, such as water and/or sewer service, which were not being previously furnished to the tract by the public service district. Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

When consent of municipality needed. — Where municipality has superior right to extend social services, a public service district would need the consent of the municipality and the public service commission in order to provide such services. Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

ARTICLE 13C.

DRINKING WATER TREATMENT REVOLVING FUND ACT.

Sec.
16-13C-1. Definitions.
16-13C-3. Drinking water treatment revolving fund; duties of division of health and water development authority; set-aside accounts.

§ 16-13C-1. Definitions.

Unless the context in which used clearly requires a different meaning, as used in this article:

(1) "Authority" means the water development authority provided for in section four [§ 22C-1-4], article one, chapter twenty-two-c of this code.

(2) "Capacity development" means the technical, managerial and financial capability of a public water system.

(3) "Cost" means the cost of all labor, materials, machinery, equipment, lands, property, rights and easements, plans and specifications and all other expenses necessary or incident to the acquisition, construction, improvement, expansion, extension, repair or rehabilitation of all or part of a project.

(4) "Disadvantaged community" means the service area of a public water system that meets affordability criteria established after public review and comment by the state.

(5) "Federal safe drinking water act" means the federal statute commonly known as the "Safe Drinking Water Act", 42 U.S.C. 300f et seq., as enacted, amended, and as may be subsequently amended.

(6) "Fund" means the West Virginia drinking water treatment revolving fund created in this article.

(7) "Instrumentality" means the division of health which has the primary responsibility for administering the fund and this article pursuant to requirements of the federal safe drinking water act.

(8) "Local entity" means any municipality, public utility, or person, including any individual, firm, partnership, association, not-for-profit corporation or other corporation organized and existing under the laws of the state which may construct and operate an eligible project.

(9) "Public water system" means that term as defined in section nine-a [§ 16-1-9a], article one, chapter sixteen of the code.

(10) "Project" means a project for improving a drinking water system for the purpose of achieving or maintaining compliance with applicable state and federal drinking water regulations.

(11) "Set-aside accounts" means those accounts that shall be set up for activities required by the federal Safe Drinking Water Act and the moneys for these accounts may be taken from the federal capitalization grant for these nonproject activities before the capitalization grant is deposited into the fund.

(12) "Small system" means a public water system serving ten thousand or fewer persons. (1997, c. 225; 1998, c. 170.)

FERRIS, BAKER WATTS, INCORPORATED

Closing memorandum
Relating To:

Kingmill Valley Public Service District (WV)
Sewer Refunding Revenue Bonds, Series 2001 A

Closing – Thursday, September 13, 2001

TO:	Jon Rourke	E-mail:	jrourke@fbw.com
	Sharon Pennington		spennington@fbw.com
	Stacy Darden		sdarden@fbw.com
	Carol Converso		cconverso@fbw.com
	Marie Prezioso		mprezioso@fbw.com
	Joe Nassif		jnassif@fbw.com
FROM:	Liz Andresini	E-mail:	landresini@fbw.com
DATE:	September 11, 2001		
COPY:	Vince Collins, Steptoe & Johnson		
	John Stump, Steptoe & Johnson		
	Samme Gee, Jackson & Kelly		
	Witter Hallan, Municipal Bond Commission		

PAYMENT OF SERIES 2001 BONDS:

The Series 2001 A transaction will close with the Issuer on Thursday, September 13, 2001. Ferris, Baker Watts (FBW) needs to initiate the following fed funds wires on that date as soon as possible:

Wire #1:	$1,055,028.67
To:	Branch Banking and Trust Company, Charleston, West Virginia
For:	State of West Virginia
Account #:	5270517317
ABA#:	051503394
Contact:	West Virginia State Treasurer for West Virginia Municipal Bond Commission
Account:	Series 1986 A Bonds Sinking Fund – Kingmill Valley

Wire #2:	$43,317.00
To:	WesBanco Bank, Wheeling, Inc. 1 Bank Plaza Wheeling, WV 26003
For:	Kingmill Valley Public Service District
Account#:	2000052791
ABA#:	043400036
Contact:	Judy Uram 304/368-5006

These funds represent:

	Series 2001 A
Par Amount	$1,130,000.00
Plus: Accrued Interest	2,245.67
Less: Underwriter's Discount	33,900.00
Total Wire Amount	$1,098,345.67

DELIVERY:

Upon confirmation of the above funds transfer, DTC will be notified of FBW's DTC participation #039. Bonds to be credited: $1,130,000.

MATURITY SCHEDULE, COUPON/YIELD/PRICE AND CUSIP NUMBERS ARE LISTED BELOW:

$1,130,000
Kingmill Valley Public Service District (WV)
Sewer Refunding Revenue Bonds
Series 2001 A

Maturity	Par Amount	Coupon/Yield/Price	CUSIP # Base: 49579
10/1/2016	$520,000	5.80%/5.80%/100%	KAB9
10/1/2025	$610,000	6.10%/6.10%/100%	KAA1

$1,130,000 KINGMILL VALLEY PSD
Sewer Refunding Revenue Bonds, Series 2001 A

Balance in DSRF (Series 1986A – MBC – 7/30/01	$105,512.55
Transfer to 1986A Sinking Fund	

Ferris, Baker Watts wires:

Wire to MBC to pay off WDA & fund Series 2001 DSRF	$1,055,028.67
Wire to WesBanco to pay Costs of Issuance	43,317.00
	$1,098,345.67

Deposit at MBC	$1,055,028.67
To pay off 1986A Bonds	- 955,287.45
To fund DSRF Series 2001	- 93,010.00
Series 2001 Sinking Fund	- 2,245.67
Balance	$ 4,485.55

WDA payoff:

Principal of Bonds & premium	$1,060,800.00
From Bond proceeds	- 955,287.45
From DSRF Series 1986A	- 105,512.55
	-0-

Sinking Fund 1986A Balance 7/30/01	$ 48,957.76
Scheduled Principal and Interest payments 10/1/01	- 55,448.62
	($ 6,490.86)
August 15, 2001 payment	8,419.00
Balance	$ 1,928.14
September payment sent 9/7/01 (?)	?
Balance	$?

Kingmill Valley Public Service District (West Virginia)
Sewer Refunding Revenue Bonds, Series 2001
Refunding of the Series 1986 A Bonds (WDA Loan Program I, Series 1985 A)
25 Years, Fully-Funded DSRF

DETAIL COSTS OF ISSUANCE

Dated 09/01/2001 | Delivered 09/13/2001

COSTS OF ISSUANCE DETAIL;

Gary Bennett, CPA	$ 2,000.00
Steptoe & Johnson	$20,000.00
Jackson & Kelly	$15,000.00
United National Bank	$ 550.00
POS/Official Statement Printing (FBW)	$ 1,000.00
Miscellaneous	$ 4,767.00
TOTAL	$43,317.00