

**NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)**

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

**BOND RESOLUTION**

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NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1989 B, OF NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,900,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, Northern Wayne County 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 Sewerage System Revenue Bonds, Series 1989 A (West Virginia Water Development Authority), dated March 16, 1989, issued in the original aggregate principal amount of \$2,354,914 (the "Series 1989 A Bonds"); (ii) Sewerage System Revenue Bonds, Series 1989 B, dated February 15, 1989, issued in the original aggregate principal amount of \$1,950,000, of which approximately \$1,850,000 is presently outstanding (the "Series 1989 B Bonds"); (iii) Subordinate Sewerage System Revenue Bonds, Series 1989 (West Virginia Water Development Authority), dated March 16, 1989, issued in the original aggregate principal amount of \$349,086 (the "Series 1989 C Bonds"); and (iv) Sewerage System Design Revenue Bonds, Series 2001 A (West Virginia SRF Program), dated January 30, 2001, issued in the original aggregate principal amount of \$497,857 (the "Series 2001 A Bonds").

WHEREAS, the Series 1989 B Bonds were issued pursuant to a resolution of the Issuer duly adopted on January 30, 1989, as supplemented (collectively, the "1989 B 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 1989 B Bonds;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Series 1989 B 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 1989 B Bonds in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, Series 2002 A" (the "Series 2002 A Bonds"), in the maximum aggregate principal amount of not more than \$1,900,000, and other monies of the Issuer; and

WHEREAS, the Issuer now desires to authorize the refunding of the Series 1989 B Bonds as aforesaid, and to provide for the financing thereof by the issuance of the Series 2002 A Bonds as hereinafter provided;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT:

## ARTICLE I

### DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

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

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

"Authority" means the West Virginia Water Development Authority, the original purchaser of the Series 1989 A Bonds, the Series 1989 C Bonds and the Series 2001 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 2002 A Bonds, Series 1989 A Bonds, Series 1989 C Bonds, Series 2001 A Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

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

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

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

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

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

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

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, the costs of refunding the Series 1989 B Bonds (which amount shall reflect the Independent Certified Public Accountant's determination of the Redemption Price of the Series 1989 B Bonds), interest accruing or to accrue thereon, redemption premiums, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, expenses for fiscal or other agents, legal expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 2002 A Bonds and the refunding of the Series 1989 B Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Original Purchaser" means Crews & Associates, Inc., Charleston, West Virginia, as the purchaser of the Series 2002 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2002 A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 2002 A Bonds directly from the Issuer, as determined by a

resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2002 A Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Issuer at the time of approval of such sale of said Series 2002 A Bonds.

"Outstanding," when used with reference to the Series 2002 A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as a Bond Insurer has been reimbursed in full.

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

"Prior Bonds" means, collectively, the Series 1989 A Bonds, the Series 1989 C Bonds and the Series 2001 A Bonds.

"Prior Resolutions" means the resolutions of the Issuer, as supplemented, duly enacted on January 30, 1989 and January 29, 2001, respectively, authorizing the Series 1989 A and Series 1989 C Bonds and the Series 2001 A Bonds.

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

"Purchase Price," for the purpose of computation of the Yield of the Series 2002 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2002 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting

in the capacity of underwriters or wholesalers), at which price a substantial amount of the Series 2002 A Bonds of each maturity is sold or, if the Series 2002 A Bonds are privately placed, the price paid by the first buyer of the Series 2002 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2002 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2002 A Bonds.

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

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

thereof is always at least equal to the principal amount of said time accounts;

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

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

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

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

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

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

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

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

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

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

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

"1989 B Resolution" means the resolution of the Issuer duly adopted January 30, 1989, authorizing the Series 1989 B Bonds.

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

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

"Series 1989 A Bonds" means the Issuer's Sewerage System Revenue Bonds, Series 1989 A, dated March 16, 1989, issued in the original aggregate principal amount of \$2,354,914.

"Series 1989 B Bonds" means the Issuer's Sewerage System Revenue Bonds, Series 1989 B, dated February 15, 1989, issued in the original aggregate principal amount of \$1,950,000.

"Series 1989 C Bonds" means the Issuer's Subordinate Sewerage System Revenue Bonds, Series 1989, dated March 16, 1989, issued in the original aggregate principal amount of \$349,086.

"Series 2001 A Bonds" means the Issuer's Sewerage System Revenue Bonds, Series 2001 A, dated January 30, 2001, issued in the original aggregate principal amount of \$497,857.

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

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

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

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

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

"State" means the State of West Virginia.

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

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

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

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

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

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

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

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

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

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

A.      The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia, in Wayne 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 1989 A Bonds, the Series 1989 B Bonds, the Series 1989 C Bonds and the Series 2001 A Bonds.

C.      The Issuer derives revenues from the System which are pledged for payment of the Series 1989 A Bonds, the Series 1989 B Bonds, the Series 1989 C Bonds and the Series 2001 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 1989 B Bonds in their entirety with proceeds of the Series 2002 A Bonds and other funds of the Issuer, to issue the Series 2002 A Bonds and to pledge the Net Revenues of the System for payment thereof on a parity with the Series 1989 A Bonds, the Series 1989 C Bonds and the Series 2001 A Bonds. Upon issuance and delivery of the Series 2002 A Bonds and the defeasance of the Series 1989 B Bonds, the lien position of the Series 2002 A Bonds shall be on a parity with the Series 1989 A Bonds and the Series 2001 A Bonds and senior and prior to the Series 2002 A Bonds.

E.      The Series 2002 A Bonds shall be issued on a parity with the Series 1989 A Bonds and the Series 2001 A Bonds, and senior and prior to the Series 1989 C 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 1989 A Bonds, the Series 1989 C Bonds and the Series 2001 A Bonds and the resolutions authorizing the Series 1989 A Bonds, the Series 1989 C Bonds and the

Series 2001 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 2002 A Bonds, the Issuer will obtain the written consent of the Holders of the Prior Bonds to the issuance of the Series 2002 A Bonds on a parity with the Series 1989 A Bonds and the Series 2001 A Bonds, and senior and prior to the Series 1989 C Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

F. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Series 1989 B Bonds will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Prior 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 2002 A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the Series 2002 A Bonds show a net present value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the Series 2002 A Bonds.

H. The Issuer shall not sell the Series 2002 A Bonds without setting forth in the Supplemental Resolution the determination set forth in paragraph G above, based upon the actual principal amount, maturity schedule and interest rates for the Series 2002 A Bonds, and the Issuer shall not issue the Series 2002 A Bonds without having obtained from an Independent Certified Public Accountant a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 2002 A Bonds and the net interest cost in dollars of the Series 1989 B Bonds.

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

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

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

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

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

## ARTICLE II

### AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All Series 1989 B Bonds Outstanding as of the date of issuance of the Series 2002 A Bonds are hereby ordered to be refunded, and the pledge of Net Revenues in favor of the Holders of the Series 1989 B Bonds imposed by the 1989 B Resolution, the monies in the funds and accounts created by the 1989 B Resolution pledged to payment of the Series 1989 B Bonds, and any other funds pledged by the 1989 B Resolution to payment of the Series 1989 B Bonds are hereby ordered terminated, discharged and released upon the payment to the Holder of the Series 1989 B Bonds from the proceeds of the Series 2002 A Bonds and from other monies available therefor, of the following: (a) an amount equal to the fiscal and paying agent charges to become due and payable in connection with the Series 1989 B Bonds; and (b) an amount which will provide for the immediate payment of the principal of and interest on the Series 1989 B Bonds, plus the premium, if any, as of the date of Closing. Contemporaneously with the payment to the Holder of the Series 1989 B Bonds of the above-referenced amounts, the amount on deposit in the reserve account created and maintained on behalf of the Series 1989 B Bonds shall be released from the lien created by the 1989 B Resolution and deposited, to the extent not already deposited therein, in the Issuer's Revenue Fund 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 2002 A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity. All Series 2002 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Series 2002 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

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

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

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

had not ceased to hold such office. Any Series 2002 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Series 2002 A Bonds shall hold the proper office in the Issuer, although at the date of such Series 2002 A Bonds such person may not have held such office or may not have been so authorized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 3.10. Authorization of Series 2002 A Bonds. For the purposes of paying a portion of the costs of refunding all of the Series 1989 B Bonds of the Issuer, funding the Series 2002 A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2002 A Bonds of the Issuer, in an aggregate principal amount of not more than \$1,900,000. The Series 2002 A Bonds shall be designated "Sewer Refunding Revenue Bonds, Series 2002 A" and shall be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity, not exceeding the aggregate principal amount of Series 2002 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2002 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2002 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

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

B. At or prior to settlement for the Series 2002 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Resolution, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

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

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

E. The book entry system for registration of the ownership of the Series 2002 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2002 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2002 A Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer

appoints a successor securities depository), the Series 2002 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2002 A Bonds.

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

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

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

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

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

B. An amount of the proceeds of the Series 2002 A Bonds which, together with other monies or securities available for such purpose, shall be sufficient to accomplish the refunding and defeasance of the Series 1989 B Bonds (which amount shall be set forth in the Supplemental Resolution) shall be paid to the Holder of the Series 1989 B Bonds.

C. An amount of the proceeds of the Series 2002 A Bonds equal to the Series 2002 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2002 A Bonds Reserve Account; provided that, to the extent the Series 2002 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Series 1989 B Bonds pursuant to the 1989 B Resolution, proceeds of the Series 2002 A Bonds shall be deposited in the Series 2002 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2002 A Bonds Reserve Requirement.

D. The balance of any proceeds of the Series 2002 A Bonds and any monies in any fund or account established for the Series 1989 B Bonds pursuant to the 1989 B Resolution, not used for any of the purposes set forth above, shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2002 A Bonds and miscellaneous costs of refunding the Series 1989 B Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Monies not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2002 A Bonds Sinking Fund. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2002 A Bonds. To the extent any proceeds of the Series 2002 A Bonds remain after paying costs of issuance of the Series 2002 A Bonds, such monies shall be used to pay, within 6 months of the date of issuance, the costs of acquisition and construction of capital improvements to the System.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2002 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2002 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of

the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Series 2002 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2002.

## ARTICLE IV

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

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

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

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

- (1) Series 1989 A Bonds Sinking Fund (established by the Prior Resolutions);
- (2) Within the Series 1989 B Bonds Sinking Fund, the Series 1989 B Bonds Reserve Account (established by the Prior Resolutions);
- (3) Series 1989 B Bonds Sinking Fund (established by the Prior Resolutions);
- (4) Within the Series 1989 B Bonds Sinking Fund, the Series 1989 B Bonds Reserve Account (established by the Prior Resolutions);
- (5) Series 2001 A Bonds Sinking Fund (established by the Prior Resolutions);

(6) Within the Series 2001 A Bonds Sinking Fund, the Series 2001 A Bonds Reserve Account (established by the Prior Resolutions);

(7) Series 2002 A Bonds Sinking Fund;

(8) Within the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Reserve Account; and

(9) Within the Series 2002 A Bonds Sinking Fund, the Series 2002 A Bonds Redemption Account.

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

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

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1989 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest on and the principal of the Series 1989 A Bonds; (ii) for deposit in the Series 2001 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2001 A Bonds; (iii) commencing 6 months prior to the first interest payment date on the Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2002 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of

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

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1989 A Bonds Reserve Account the amount required by the Prior Resolutions; (ii) for deposit in the Series 2001 A Bonds Reserve Account the amount required by the Prior Resolutions; and (iii) for deposit in the Series 2002 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2002 A Bonds Reserve Account below the Series 2002 A Bonds Reserve Requirement or any withdrawal from the Series 2002 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2002 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified

Investments deposited to the credit of the Series 2002 A Bonds Reserve Account is less than the Series 2002 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2002 A Bonds Reserve Account for deposit into the Series 2002 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2002 A Bonds Reserve Account to an amount equal to the Series 2002 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2002 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2002 A Bonds Reserve Requirement.

(4) The Issuer shall next, 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 1989 C Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the principal of the Series 1989 C Bonds; and (ii) for deposit in the Series 1989 C Bonds Reserve Account, the amount required by the Prior Resolutions.

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

Monies in the Series 2002 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2002 A Bonds as the same shall

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

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

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

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

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

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 1989 A Bonds, the Series 2001 A Bonds and the Series 2002 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 2002 A Bonds Sinking Fund and the Series 2002 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and

there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

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

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

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

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

## ARTICLE V

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

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

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

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

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

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

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

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

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

(E) Notwithstanding the foregoing, all monies deposited in the Series 2002 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia 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 2002 A Bonds in such manner and to such extent as may be necessary, so that the Series 2002 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2002 A Bonds) so that the interest on the Series 2002 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

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

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

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

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

## ARTICLE VI

### ADDITIONAL COVENANTS OF THE ISSUER

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

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

Section 6.03. Bonds Secured by Parity Pledge of Net Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2002 A Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Series 1989 A Bonds and the Series 2001 A Bonds, and senior and prior to such lien on Net Revenues of the Series 1989 C Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 2002 A Bonds herein authorized, and to make the payments into the Series 2002 A Bonds Sinking Fund, including the Series 2002 A Bonds Reserve Account therein, and all other payments provided for in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the interest on and principal of the Series 2002 A Bonds herein authorized as the same become due and for the other purposes provided in this Resolution.

Provided, however, that in the event the Issuer, at any time in the future, refunds the Series 1989 A Bonds, contemporaneously with such refunding the Series 1989 C Bonds shall assume the lien position of the Series 1989 A Bonds and shall be on a parity with the Series 2001 A Bonds and the Series 2002 A Bonds.

Section 6.04.      Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to, on a parity with, or junior to, the Series 2002 A Bonds, including the Series 1989 B Bonds, the Series 2001 A Bonds and the Series 1989 C 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 Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 2002 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2002 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 2002 A Bonds. Any balance remaining after the payment of the Series 2002 A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other

amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$50,000, 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 \$50,000 but not in excess of \$100,000, 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 \$50,000 and not in excess of 100,000, 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 \$100,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

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

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

Section 6.08.      Additional Parity Bonds and Subordinate Debt. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2002 A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Prior Bonds, in which case the more restrictive provisions shall apply).

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

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

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the

improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of issuance of such additional parity Bonds.

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

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

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

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

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

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

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

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

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. 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. FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

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

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

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

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

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

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

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

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

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

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

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

Section 6.14.        Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No increased expenditures for the operation and maintenance of the System in excess of 10% of the amount of such

annual budget shall be made in any Fiscal Year without a written certification by a registered professional engineer which shall state in detail the purpose of such increased expenditures and that such increased expenditures are necessary 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. 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 on property adjoining 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 90-day notice of the availability of the System, pay the rates and charges established therefor.

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

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2002 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2002 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1989 A Bonds and the Series 2001 A Bonds, and senior and prior to the statutory mortgage lien in favor of the Holders of the Series 1989 C Bonds.

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

A.      PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2002 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2002 A Bonds during the term thereof is, under the terms of the Series 2002 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2002 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2002 A Bonds during the term thereof is, under the terms of the Series 2002 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2002 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2002 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

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

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

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

E.      FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2002 A Bonds will be and remain excludable

from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

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

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

Section 6.20.      Public Service Commission Jurisdiction. Notwithstanding any provision of this Resolution to the contrary, the terms, conditions, agreements and covenants of the Issuer contained in this Resolution, to the extent such terms, conditions, agreements and covenants are subject to the jurisdiction of the Public Service Commission of West Virginia, shall be applied, or complied with, in accordance with any regulation or ruling of the Public Service Commission of West Virginia. The Issuer shall exercise its reasonable efforts to assure that such regulation or ruling of the Public Service Commission is consistent with the terms of this Resolution.

Section 6.21.      Judicial Jurisdiction. Notwithstanding any provision of this Resolution to the contrary, the terms, conditions, agreements and covenants of the Issuer contained in this Resolution, to the extent such terms, conditions, agreements and covenants are either subject to interpretation by, or their implementation may be controlled or restricted by, any court, either administrative or civil, state or federal, shall be subject to the exercise of judicial discretion and the application of equitable remedies. The Issuer shall exercise reasonable efforts to assure that such regulation or ruling of any Court is consistent with the terms of this Resolution.

## ARTICLE VII

### DEFAULTS AND REMEDIES

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

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2002 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 2002 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Bond Insurer;

(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 any of the Prior Bonds or the Prior Resolutions.

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 2002 A Bonds shall be on a parity with those of the Holders of the Series 1989 A Bonds and the Series 2001 A Bonds, and senior and prior to those rights and remedies of the Holders of the Series 1989 C 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 Series 2002 A Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

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

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

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

## ARTICLE VIII

### REGISTRAR AND PAYING AGENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE IX

### DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

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

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

## ARTICLE X

### MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

ISSUER

Northern Wayne Co. Public Service District  
Post Office Box 775  
Lavalette, WV 25535  
Attn: General Manager

REGISTRAR AND PAYING AGENT

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

DEPOSITORY BANK

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

ORIGINAL PURCHASER

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

BOND INSURER

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

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

Section 10.07. No Personal Liability; Statutory Immunity. No member of the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Series 2002 A Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Resolution. The members of the board of the Issuer are

not personally liable or responsible for any obligations of the Issuer, but are answerable only for willful misconduct in the performance of their duties, all as provided in the Act.

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

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

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

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

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

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

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

Adopted this 25th day of October, 2002.

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Chairman

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Northern Wayne County Public Service District on the 25th day of October, 2002.

Dated this 11th day of December, 2002.

[SEAL]

\_\_\_\_\_  
Secretary

10/24/02  
664320.00002

EXHIBIT A - BOND FORM

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

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

\$ \_\_\_\_\_

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

INTEREST RATE

MATURITY DATE

BOND DATE

CUSIP NO.

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

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

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

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

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

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$ \_\_\_\_\_ designated "Northern Wayne County Public Service District Sewer Refunding Revenue Bonds, Series 2002 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated \_\_\_\_\_ 1, 2002, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1989 B, dated February 15, 1989, of the Issuer outstanding in the total aggregate principal amount of \$ \_\_\_\_\_ (the "Series 1989 B Bonds"), which were issued to finance a portion of the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on October 8, 2002, and supplemented by a supplemental resolution duly adopted by the Issuer on \_\_\_\_\_, 2002 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds

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

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) SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, DATED MARCH 16, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,354,914 (THE "SERIES 1989 A BONDS"); AND

(ii) SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2001 A, DATED JANUARY 30, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$497,857 (THE "SERIES 2001 A BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR TO WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 C, DATED MARCH 16, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$349,086 (THE "SERIES 1989 C 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:

<u>Period During Which Redeemed</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
---	-----------------------------------

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

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

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

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

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

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

\* Final Maturity

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

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

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

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1989 A Bonds and the Series 2001 A Bonds, and senior and prior to the pledge on Net Revenues in favor of the holders of the Series 1989 C Bonds, and from monies in the reserve account created under the Resolution for the Bonds (the "Series 2002 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2002 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, or junior to the Bonds, including the Prior Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1989 B 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 monies, until so applied, in favor of the registered owner of this Bond.

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

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

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

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

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

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

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

[SEAL]

(Manual or Facsimile Signature)  
Chairman

ATTEST:

(Manual or Facsimile Signature)  
Secretary

10/29/02  
665320.00002

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.

NEW ISSUE

*In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2002 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2002 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the laws of the State of West Virginia, the Series 2002 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2002 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia (see "Tax Matters" herein).*

**\$1,860,000**  
**NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT**  
**SEWER REFUNDING REVENUE BONDS,**  
**SERIES 2002 A**

Dated: December 1, 2002

Due: March 1, as shown below

The Series 2002 A Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. All of the Series 2002 A Bonds initially issued will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2002 A Bonds will be in book-entry form only. Semiannual interest on the Series 2002 A Bonds is payable beginning March 1, 2003, and each March 1 and September 1 thereafter. So long as the Series 2002 A Bonds are maintained under a book-entry system, payments of the principal of, premium, if any, and interest on the Series 2002 A Bonds will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent, to DTC in accordance with the Resolution and any Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2002 A Bonds. See "THE SERIES 2002 A BONDS" and "BOOK-ENTRY ONLY SYSTEM." The Series 2002 A Bonds are subject to redemption prior to maturity as described herein.

The Series 2002 A Bonds are being issued, together with other funds available therefor, to: (i) provide funds in the amount of \$133,005 to be deposited in the Series 2002 A Bonds Reserve Account which will equal the maximum annual debt service on the Series 2002 A Bonds; (ii) provide funds to repay certain existing indebtedness; and (iii) pay certain costs of issuance of the Series 2002 A Bonds and related costs.

The Series 2002 A Bonds are payable from and further secured by the Net Revenues derived from the existing sewer system of the Northern Wayne County Public Service District (the "District") and any extensions, improvements and betterments thereto and from funds on deposit in the Series 2002 A Bonds Sinking Fund and the Reserve Account therein. The Series 2002 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the principal of, premium, if any, and interest on the Series 2002 A Bonds, except from the Net Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power, if any, of the District shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of, premium, if any, or interest on the Series 2002 A Bonds.

The Issuer has designated the Series 2002 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<b>\$205,000</b>	<b>3.5%</b>	<b>Series 2002 Term Bonds due March 1, 2007 at 100%</b>
<b>\$235,000</b>	<b>4.5%</b>	<b>Series 2002 Term Bonds due March 1, 2012 at 100%</b>
<b>\$295,000</b>	<b>5.2%</b>	<b>Series 2002 Term Bonds due March 1, 2017 at 100%</b>
<b>\$385,000</b>	<b>5.4%</b>	<b>Series 2002 Term Bonds due March 1, 2022 at 97.654%</b>
<b>\$740,000</b>	<b>5.5%</b>	<b>Series 2002 Term Bonds due March 1, 2029 at 96.625%</b>

(Accrued interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2002 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Plymale & Maddox PLLC, Huntington, West Virginia, as counsel to the District, will pass upon certain legal matters for the District. Robert R. Rodecker, Esquire, as special counsel to the District, will pass on certain legal matters regarding the Public Service Commission of West Virginia for the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2002 A Bonds will be available for delivery in New York, New York, on or about December 11, 2002.

**Crews & Associates, Inc.**

Dated: November 25, 2002

**NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, WEST VIRGINIA**

**PUBLIC SERVICE BOARD**

Steven L. Thompson, Chairman/Member  
Patrick C. Myers, Secretary/Member  
William Dunkle, Member  
Rebecca Ferman, General Manager

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Charleston, West Virginia

**ISSUER'S COUNSEL**

Plymale & Maddox PLLC  
Huntington, West Virginia

**ISSUER'S SPECIAL PSC COUNSEL**

Robert R. Rodecker, Esquire  
Charleston, West Virginia

**ACCOUNTANT**

Somerville & Company, P.L.L.C.  
Huntington, West Virginia

**UNDERWRITER**

Crews & Associates, Inc.  
Little Rock, Arkansas

**UNDERWRITER'S COUNSEL**

Goodwin & Goodwin, LLP  
Charleston, West Virginia

**DEPOSITORY BANK**

The Huntington National Bank  
Lavalette, West Virginia

**REGISTRAR**

The Huntington National Bank  
Columbus, Ohio

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2002 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by Northern Wayne County 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 Northern Wayne County 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 Northern Wayne County Public Service District as it relates to the System since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2002 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT**  
**\$1,860,000**  
**NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT**  
**SEWER REFUNDING REVENUE BONDS**  
**SERIES 2002 A**

**INTRODUCTION**

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Northern Wayne County Public Service District, West Virginia (the "District"), the District's sewer system hereinafter described and the District's \$1,860,000 in aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2002 A (the "Series 2002 A Bonds"). The Series 2002 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act"), and a resolution adopted by the Public Service Board of the District on October 25, 2002 (the "Resolution"), as supplemented and amended by any supplemental resolution adopted by the Board of the District pursuant to the Resolution (the "Supplemental Resolution", and together with the Resolution, the "Resolution").

The proceeds of the Series 2002 A Bonds, together with other funds available therefor, will be used as follows: (i) to provide funds in the amount of \$133,005 to be deposited in the Series 2002 A Bonds Reserve Account which will equal the maximum annual debt service on the Series 2002 A Bonds; (ii) to provide funds to repay certain existing indebtedness; and (iii) to pay certain costs of issuance of the Series 2002 A Bonds and related costs.

The Series 2002 A Bonds are payable from and secured by the Net Revenues, as defined in the Resolution and hereinafter, derived from the existing sewerage collection system of the District and any extensions, improvements or betterments thereto (the "System") and from funds on deposit in the Sinking Fund and the Reserve Account therein. The Series 2002 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Series 2002 A Bonds or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit.

Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby so as to produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2002 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Series 2002 A Bonds. See "SECURITY FOR THE SERIES 2002 A BONDS - Rate Covenant."

The Series 2002 A Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2002 A BONDS" herein. The Series 2002 A Bonds initially will be maintained under a book-entry system. So long as the Series 2002 A Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2002 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2002 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by The Huntington National Bank, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2002 A BONDS" herein.

For a description of the exclusion of interest on the Series 2002 A Bonds from gross income for federal and state income tax purposes, see "TAX MATTERS" herein.

The District may issue additional bonds on parity with the Series 2002 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds issued pursuant to the Resolution subject, in each case, to certain tests and conditions provided for by the Resolution (the Series 2002 A Bonds and any such additional parity bonds are hereinafter referred to as the "Bonds"). See "SECURITY FOR THE SERIES 2002 A BONDS - Additional Parity Bonds."

The Series 2002 A Bonds are offered when, as and if issued and received on behalf of the Underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Plymale & Maddox PLLC, Huntington, West Virginia, will pass upon certain legal matters for the District. Robert R. Rodecker, Esquire, as special counsel to the District, will pass on certain legal matters regarding the Public Service Commission of West Virginia for the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2002 A Bonds, the District and certain provisions of the Resolution and the Act, as defined in the Resolution and hereinafter, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2002 A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Resolution. Copies of the Resolution and other applicable documents may be

obtained from the District or, during the period of offering the Series 2002 A Bonds, from the Underwriter.

## FINANCING PLAN

### Estimated Sources and Uses of Funds

#### Sources of Funds:

Principal Amount of Series 2002 A Bonds	\$1,860,000.00
Transfer from Prior Bond Reserve Account	155,376.00
Accrued Interest	2,627.22
Original Issue Discount	<u>(34,007.10)</u>
Total Sources	<u>\$1,983,996.12</u>

#### Uses of Funds:

Repayment of Existing Debt	\$1,750,931.86
Series 2002 A Bonds Reserve Account	133,005.00
Accrued Interest	2,627.22
Underwriter's Discount	55,800.00
Costs of Issuance (1)	<u>41,632.04</u>
Total Uses	<u>\$1,983,996.12</u>

(1) Includes legal and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2002 A Bonds.

## THE SERIES 2002 A BONDS

### General

The Series 2002 A Bonds are dated and bear interest from December 1, 2002, upon original issuance. Any Series 2002 A Bond issued in exchange on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof unless the date of authentication is an interest payment date on which interest on said Series 2002 A Bond shall have been paid in full or duly provided for, in which case said Series 2002 A Bond shall be dated such date of authentication; or unless, as shown by the records of the Registrar, as defined below, interest on such Series 2002 A Bond shall be in default, in which case any Series 2002 A Bond issued in exchange for a Series 2002 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2002 A Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing March 1, 2003, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2002 A Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. The Series

2002 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2002 A Bonds and payments of principal of, redemption price, if any, and interest on the Series 2002 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2002 A Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date or, in the event of a default in the payment of the Series 2002 A Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date (the "Record Date"). If the book-entry system is discontinued, principal of, premium, if any, and interest on the Series 2002 A Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

So long as the Series 2002 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2002 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2002 A Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2002 A Bond, there will be issued another Series 2002 A Bond or Series 2002 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2002 A Bond. For every exchange or transfer of Series 2002 A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The District shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

#### Optional Redemption

The Series 2002 A Bonds maturing on and after March 1, 2008, are subject to redemption, on or after March 1, 2007, at the option of the Issuer, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at par, plus interest, if any, accrued to the date fixed for redemption.

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

#### Sinking Fund Redemption

The Series 2002 A Bonds maturing March 1, 2007, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to

the mandatory redemption date, on March 1, 2003, and on each March 1 thereafter to and including March 1, 2007, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$45,000	2006	\$40,000
2004	40,000	2007*	40,000
2005	40,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2007, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$45,000	2011	\$50,000
2009	45,000	2012*	50,000
2010	45,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2012, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2013	\$55,000	2016	\$60,000
2014	55,000	2017*	65,000
2015	60,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2017, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2018	\$70,000	2021	\$80,000
2019	75,000	2022*	85,000
2020	75,000		

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

The Series 2002 A Bonds maturing March 1, 2029, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2029, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$90,000	2027	\$110,000
2024	95,000	2028	115,000
2025	100,000	2029*	125,000
2026	105,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2029, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

\*Stated maturity.

#### Notice of Redemption

So long as the Series 2002 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2002 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2002 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2002 A Bond with respect to which

records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the District. Payment of principal and interest to DTC is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2002 A Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2002 A Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2002 A Bonds or of any other action premised on such notice. If fewer than all of the Series 2002 A Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Resolution and will not be made by the District, the Registrar or the Paying Agent.

The District, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2002 A Bonds paid to DTC or its nominee as the registered owner of the Series 2002 A Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2002 A Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

#### Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the District as a securities depository for the Series 2002 A Bonds and, in such event, the District may discontinue the maintenance of the Series 2002 A Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the District appoints a securities depository to replace DTC, the Series 2002 A Bonds held by DTC will be canceled, and the District will execute and the Registrar will authenticate and deliver Series 2002 A Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2002 A Bonds shown on the records of such Participant provided to the Registrar.

## SECURITY FOR THE SERIES 2002 A BONDS

The Series 2002 A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2002 A Bonds except from said sources.

### Outstanding Prior Bonds

The District has outstanding the following bonds payable from the Net Revenues of the System: The District's Sewerage System Revenue Bonds, Series 1989 A (West Virginia Water Development Authority) and Subordinate Sewerage System Revenue Bonds, Series 1989 C (2<sup>nd</sup> lien position), dated March 16, 1989, originally issued in the aggregate principal amounts of \$2,354,914 and \$349,086, of which \$2,203,630 and \$250,626, respectively, are currently outstanding (collectively, the "Series 1989/WDA Bonds"); the District's Sewerage System Revenue Bonds, Series 1989 B, dated February 15, 1989, originally issued in the aggregate principal amount of \$1,950,000, of which \$1,745,957 is currently outstanding (the "Series 1989/RUS Bond"); and the District's Sewerage System Design Revenue Bonds, Series 2001 A (West Virginia SRF Program), dated January 30, 2001, originally issued in the aggregate principal amount of \$497,857, of which \$475,489 is currently outstanding (the "Series 2001 Bond") (collectively, the "Prior Bonds"). It is the District's intent to currently refund the Series 1989/RUS Bond from the proceeds of the Series 2002 A Bonds.

### Sources of Payment

The payment of the debt service on the Series 2002 A Bonds and the District's existing indebtedness (except for the Subordinate Sewerage System Revenue Bonds, Series 1989 C) shall be secured forthwith equally and ratably by a parity first lien on and pledge of the Net Revenues derived from the System and the funds on deposit in the Sinking Fund and the Reserve Account therein and on parity with the District's existing indebtedness as more fully described below under "ANNUAL DEBT SERVICE REQUIREMENTS." The District's Subordinate Sewerage System Revenue Bonds, Series 1989 C will continue to occupy a subordinate, 2<sup>nd</sup> lien position. Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and the District's existing indebtedness 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 and the Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds and the District's existing indebtedness as the same become due and for the other purposes provided in the Resolution.

### Rate Covenant

The District has covenanted and agreed in the Resolution to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on

the Series 2002 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the Series 2002 A Bonds.

The District further covenants that it will enact any rate increases as shall be required to comply with the aforementioned rate covenant within thirty (30) days following a determination by the District or upon an annual audit of the District that the District is not in compliance with such rate covenant.

#### Series 2002 A Bonds Reserve Account

\$133,005 of proceeds of the Series 2002 A Bonds will be deposited in the Series 2002 A Bonds Reserve Account in an amount equal to the maximum annual debt service on the Series 2002 A Bonds. In the event funds in the Revenue Fund are insufficient to pay the principal of and/or interest on the Series 2002 A Bonds, the Bond Commission shall withdraw and transfer to the Series 2002 A Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2002 A Bonds as the same becomes due from cash on deposit in the Series 2002 A Bonds Reserve Account.

In the event of a transfer from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund as aforesaid, the District shall restore the balance to the Series 2002 A Bonds Reserve Account in an amount up to the Series 2002 A Bonds Reserve Requirement. The transfer of any cash by the District from the Series 2002 A Bonds Reserve Account to the Series 2002 A Bonds Sinking Fund shall be replenished over twelve (12) equal monthly payments.

The reimbursement obligation of the District will be secured by the Net Revenues derived from the System and the funds on deposit in the Renewal and Replacement Fund, provided however, that such lien will be subordinate to the payment of debt service to holders of the Series 2002 A Bonds.

#### Application of Revenues

All Net Revenues are to be deposited in the Revenue Fund established with The Huntington National Bank, Lavalette, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; first, for monthly deposit in the Sinking Fund established with the Bond Commission, (i) of a sum equal to 1/6 of the amount of interest which will become due on the Series 2002 A Bonds, on parity with the District's Prior Bonds, except for the Subordinate Sewerage System Revenue Bonds, Series 1989 C, on the next ensuing semiannual interest payment date (beginning March 1, 2003, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the first principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2002 A Bonds, on parity with the District's Prior Bonds, except for the Subordinate Sewerage System Revenue Bonds, Series 1989 C, on the next ensuing principal payment date or mandatory redemption date; second, for restoration of any deficiency

in the funding of the Series 2002 A Bonds Reserve Account; third, for use by the District for the Operating Expenses of the System, and fourth, for monthly transfer to the Renewal and Replacement Fund, beginning with the first month following delivery of the Series 2002 A Bonds, of a sum equal to two and one-half percent (2 1/2%) of monthly Revenues (excluding payments to the Series 2002 A Bonds Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

#### Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The District further covenants and agrees in the Resolution that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the District, discontinue sewer services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

#### Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on parity with the Series 2002 A Bonds with respect to their lien on the Net Revenues of the System and funds in the Sinking Fund and the Reserve Account therein and their source of and security for payment from said Net Revenues (the "additional parity bonds") for the following purposes and under the following conditions:

No such additional parity bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Prior Bonds or the Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

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

- (1) The Series 2002 A Bonds then Outstanding;
- (2) The District's Prior Bonds then Outstanding;

(3) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and

(4) The additional parity bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years", as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity bonds.

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Net Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The term "additional parity bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations hereof, payable from the Net Revenues of the System on a parity with the Series 2002 A Bonds and the District's other indebtedness, and all the covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2002 A Bonds and the District's other indebtedness and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such additional parity bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution or any prior resolution.

The term "additional parity bonds," as used herein, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior lien of the Series 2002 A Bonds and the District's other indebtedness on such Revenues. The District shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2002 A Bonds and the District's other indebtedness except in the manner and under the conditions provided herein.

No additional parity bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Resolution with respect to the Bonds then Outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of issuance of the additional parity bonds.

The District may, without the consent of the holders of the Series 2002 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2002 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the 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 set forth in the Resolution.

### THE SYSTEM

The District was created by order of the Wayne County Commission on March 5, 1984. The District currently serves 2,402 customers. The District serves a population of approximately 8,000 in the Lavalette, Rt. 75 and Spring Valley communities. The District was issued Permit No. WV0089621 by the West Virginia Office of Environmental Health Service on May 2, 1994.

#### Sewer Service

The District operates a total of sixty-seven and three-quarter (67 <sup>3</sup>/<sub>4</sub>) miles of sewer line. The District's wastewater collection system consists of six (6) miles of sixteen (16) inch sewer line, one half (1/2) mile of fourteen (14) inch sewer line, four (4) miles of ten (10) inch sewer line, five (5) mile of eight (8) inch sewer line, three (3) miles of six (6) inch sewer line, four and one-half (4 <sup>1</sup>/<sub>2</sub>) miles of four (4) inch sewer line, five (5) miles of three (3) inch sewer line, ten (10) miles of two and one-half (2 <sup>1</sup>/<sub>2</sub>) inch sewer line, ten (10) miles of two (2) inch sewer line, and twenty (20) miles of one and one-half inch (1 <sup>1</sup>/<sub>2</sub>) sewer line. In addition the district has four (4) main lift stations, approximately 1200 grinder pumps, and an odor control system with scrubbers at each lift station.

The District does not own nor operate a wastewater treatment facility. The wastewater from the district is treated at the City of Huntington's wastewater treatment facility.

#### Sewer Usage

<u>Annual Flow History</u>	
<u>Year Ended</u>	<u>Total</u>
<u>June 30</u>	<u>Gallons</u>
2002	142,240,000
2001	144,738,000
2000	139,107,000
1999	133,103,000
1998	144,675,658
1997	144,737,541

## Customer Background

### Customer Count by Type

<u>Year Ended</u> <u>June 30</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public</u>	<u>Total</u>
2002	2,321	57	2	6	2,386
2001	2,295	57	2	6	2,360
2000	2,265	57	1	6	2,329
1999	2,211	55	1	6	2,273
1998	2,150	57	1	6	2,214
1997	2,110	55	1	6	2,172

### District Personnel

Rebecca Ferman has been the Acting General Manager of the District since October 26 1998 and the General Manager since 2000. She is supported by a Field Supervisor (Paul Daniels, 12 years service). The District employs eight full time employees, 2 part-time employees, and 1 contract employee.

### Rates

The Public Service Commission of West Virginia (the "PSC") approved the current schedule of rates and charges on March 29, 1996, in Case No. 95-1035-PSD-42T. The provisions of the tariff on file with the PSC are as follows:

#### APPLICABILITY

Applicable in entire territory served.

#### AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service.

#### RATE

\$8.83 per 1,000 gallons of metered water usage.

#### UNMETERED RATE

\$39.74 per month based on 4,500 gallons usage.

### MINIMUM CHARGE

No bill will be rendered for less than \$26.49 based on 3,000 gallons usage.

### DELAYED PAYMENT PENALTY

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

TAP FEE -- \$750.00

### WATER DISCONNECT – RECONNECT FEES/ADMINISTRATIVE FEE

Whenever water service has been disconnected by West Virginia American Water Company for non-payment of sewer bills, a disconnection fee of \$20.00 shall be charged; or in the event the delinquent sewer bill is collected by the water company, and administrative fee of \$20.00 shall be charged.

Whenever water service which has been previously disconnected by West Virginia-American Water Company or otherwise withheld for non-payment of sewer bills is reconnected, a fee of \$20.00 shall be charged.

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

Whenever water service which has been previously disconnected by the City of Kenova or otherwise withheld for non-payment of sewer bills is reconnected, a fee of \$20.00 shall be charged.

Whenever water service has been disconnected by Lavalette Public Service District for non-payment of sewer bills, a disconnection fee of \$15.00 shall be charged; or in the event the delinquent sewer bill is collected by Lavalette Public Service District, an administrative fee of \$15.00 shall be charged.

Whenever water service which has been previously disconnected by Lavalette Public Service District or otherwise withheld for non-payment of sewer bills is reconnected, a fee of \$15.00 shall be charged.

### Billing and Collections

The District renders a monthly bill to all customers of the System. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10% penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of

termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of \$15.00 is required to reinstate a previously delinquent account.

#### Allowance for Uncollectibles

The District has a policy of writing off accounts determined to be uncollectable. Also, the District has made a provision with respect to operating expenses on its balance sheets pertaining to the System for doubtful accounts, as follows:

#### Summary of Doubtful Accounts

<u>Year Ended</u> <u>June 30</u>	<u>Provision for</u> <u>Doubtful Accounts</u>	<u>Year Ended</u> <u>June 30</u>	<u>Provision for</u> <u>Doubtful Accounts</u>
2002	\$19,000	2000	\$13,000
2001	\$19,000	1999	\$10,000

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

#### System Budget

The General Manager prepares a draft budget for the System's operations. The District's budget is compiled from the draft budget and submitted to the Public Service Board on or before June 30 of each year. The budget is required by statute to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year and the method of financing such expenditures. The total of proposed expenditures may not exceed the total of estimated income. Upon adoption of the budget, a copy shall be provided to the County Commission. No payments may be made in excess of the budget unless unanimously authorized and directed by the Public Service Board. Separate accounting records are kept by the District and reviewed by the District's accountant each year.

#### Method of Accounting

The District maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. The records of the District for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the District office.

Historical and Proforma Revenues, Expenses and Coverages

Summary Statement of Income and Expense  
(Fiscal Year Ended June 30)

	Projected 2003	Audited 2002	Audited 2001	Audited 2000	Audited 1999
Operating Revenues	\$1,248,000	\$1,241,265	\$1,260,786	\$1,268,638	\$1,221,626
Total Operating Expenses	<u>\$1,493,200</u>	<u>\$1,216,754</u>	<u>\$1,225,952</u>	<u>\$1,195,351</u>	<u>\$1,048,627</u>
Total Operating Income	(\$245,200)	\$24,511	\$34,834	\$73,287	\$172,999
Other Income/Expenses	<u>(74,650)</u>	<u>(211,695)</u>	<u>(157,947)</u>	<u>(195,696)</u>	<u>(317,583)</u>
Net Income	(\$319,850)	(\$187,184)	(\$123,113)	(\$122,409)	(\$144,584)
Depreciation	555,000	428,941	418,781	415,719	402,632
Interest Expense	302,000	318,701	322,407	285,094	394,333
Cash Avail. For Debt Service	\$537,150	\$560,458	\$618,075	\$578,404	\$652,381
Debt Service	\$370,072	\$375,254	\$444,377	\$420,143	\$421,521
Coverage	1.45	1.49	1.39	1.38	1.55

Pension Plan

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia public Employee's Retirement System (PERS). It provides retirement, disability and death benefits to plan members' beneficiaries. State statutes establish benefit provisions.

The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to:

Consolidated Public Retirement Board  
Building 5, 1900 Kanawha Boulevard East  
Charleston, West Virginia 25305-0720

The District and plan members are required to contribute 9.5% and 4.5%, respectively, of annual covered salaries. The contribution requirements of the District and plan members are

established and may be amended by State statute. The District's contributions to PERS for the years ended June 30, 2002, 2001 and 2000 were \$18,318, \$17,812 and \$15,000.

#### Public Service District Authority and Board Membership

(1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district;

(2) The county commission may, on its own motion or on the basis of a proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action.

From and after the date of adoption of the order creating any public service district, it becomes public corporation and political subdivision of the state, but lacks any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, be sued, adopt an official seal and enter into contracts necessary or incidental to its purposed, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing sewage disposal service of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein of a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of a district.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2002 A Bonds and the Prior Bonds.

<u>Year</u>	<u>Series 1989A</u>	<u>Series 1989C*</u>	<u>Series 2001A</u>	<u>Series 2002A**</u>	<u>Total Debt Service</u>
2002	\$206,708	\$8,951	\$16,596	-	232,255
2003	206,708	8,951	16,596	64,386	296,641
2004	206,708	8,951	16,596	133,005	365,260
2005	206,708	8,951	16,596	131,605	363,860
2006	206,708	8,951	16,596	130,205	362,460
2007	206,708	8,951	16,596	128,805	361,060
2008	206,708	8,951	16,596	132,405	364,660
2009	206,708	8,951	16,596	130,380	362,635
2010	206,708	8,951	16,596	128,355	360,610
2011	206,708	8,951	16,596	131,330	363,585
2012	206,708	8,951	16,596	129,080	361,335
2013	206,708	8,951	16,596	131,830	364,085
2014	206,708	8,951	16,596	128,970	361,225
2015	206,708	8,951	16,596	131,110	363,365
2016	206,708	8,951	16,596	127,990	360,245
2017	206,708	8,951	16,596	129,870	362,125
2018	206,708	8,951	16,596	131,490	363,745
2019	206,708	8,951	16,596	132,710	364,965
2020	206,708	8,951	16,596	128,660	360,915
2021	206,708	8,951	16,596	129,610	361,865
2022	206,708	8,951	16,596	130,290	362,545
2023	206,708	8,951	16,596	130,700	362,955
2024	206,708	8,951	16,596	130,750	363,005
2025	206,708	8,951	16,596	130,525	362,780
2026	206,708	8,951	16,596	130,025	362,280
2027	206,708	8,951	16,596	129,250	361,505
2028	206,708	8,951	16,596	128,200	360,455
2029	206,708	8,951	16,596	131,875	364,130
2030	-	-	16,596	-	16,596
2031	-	-	16,596	-	16,596
2032	-	-	16,596	-	16,596
<b>Totals</b>	<b>\$5,787,824</b>	<b>\$250,628</b>	<b>\$514,476</b>	<b>\$3,453,411</b>	<b>\$10,006,339</b>

\*Subordinate to 1989A, 1989B, and 2001A Bonds

\*\*Does not consider annual earnings on the DSR fund

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The following is a summary of certain provisions of the Resolution. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Resolution, copies of which may be obtained from the Underwriter.

### **Application of Series 2002 A Bond Proceeds**

The amount of the Series 2002 A Bond proceeds representing interest accrued on the Series 2002 A Bonds from the date thereof to the date of delivery to the Underwriter shall be deposited in the Series 2002 A Bonds Sinking Fund established with the Bond Commission and used to pay interest on the Series 2002 A Bonds on the first interest payment date.

An amount of the proceeds of the Series 2002 A Bonds, together with other monies or securities available therefor, equal to the amount necessary to pay in full the outstanding principal of, interest on and prepayment penalty, if any, due on the Refunded Bonds shall be paid to the Holder of the Refunded Bonds.

An amount of the proceeds of the Series 2002 A Bonds equal to the Series 2002 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2002 A Bonds Reserve Account.

The balance of the proceeds of the Series 2002 A Bonds shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the District solely to pay costs of issuance of the Series 2002 A Bonds and miscellaneous costs of refunding. 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, the District shall transfer such unapplied proceeds to the Series 2002 A Bonds Sinking Fund. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 2002 A Bonds from which such proceeds are derived.

### **Application of System Revenues**

The entire Gross Revenues derived from the operation of the System and all parts thereof are to be deposited in the Revenue Fund established with the Depository Bank.

## System Revenues; Flow of Funds

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

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

(2) The District shall next, on the first day of each month, (i) for deposit in the Series 1989 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest on and the principal of the Series 1989 A Bonds; (ii) for deposit in the Series 2001 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 2001 A Bonds; (iii) commencing 6 months prior to the first interest payment date of the Series 2002 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2002 A Bonds, on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 6 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2002 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2002 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2002 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2002 A Bonds Sinking Fund, and (iv) commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2002 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund and in the Series 2002 A Bonds Redemption Account therein in the case of the Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will become due on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 12 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2002 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Bond Commission for deposit (i) in the Series 1989 A Bonds Reserve Account the amount required by the Prior Resolutions; (ii) in the Series 2001 A Bonds Reserve Account the amount required by the Prior Resolutions; and (iii) in the Series 2002 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2002 A Bonds Reserve Account below the Series 2002 A Bonds Reserve Requirement or any withdrawal from the Series 2002 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2002 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 2002 A Bonds Reserve Account is less than the Series 2002 A Bonds Reserve Requirement, or (ii) any amount is withdrawn from the Series 2002 A Bonds Reserve Account for deposit into the Series 2002 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2002 A Bonds Reserve Account to an amount equal to the Series 2002 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2002 A Bonds Reserve Account whenever and as long as the amount on deposit therein shall be equal to the Series 2002 A Bonds Reserve Requirement.

(4) 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 1989 C Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the principal of the Series 1989 C Bonds; and (ii) for deposit in the Series 1989 C Bonds Reserve Account, the amount required by the Prior Resolutions.

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

Revenues shall be used solely for the purposes of the System.

Amounts in the Series 2002 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2002 A Bonds when due, when amounts in the Series 2002 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

## 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 this section.

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

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

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

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

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2002 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2002 A Bonds Reserve Account shall, at any time, be less than the Series 2002 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2002 A Bonds Sinking Fund and otherwise in accordance with Section 4.03 of the Resolution.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2002 A Bonds and

invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2002 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

#### General Covenants

Enforcement of Collections. The District has covenanted diligently to enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by the Act, rules and regulations of the Public Service Commission of West Virginia, and other laws of the State. The District will shut off and discontinue the supplying of sewer service for the nonpayment of the rates or charges for said sewer service to the full extent permitted or authorized by rules and regulations of the Public Service Commission of West Virginia and State law.

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 Prior 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 Prior Resolutions. Additionally, so long as the Series 2002 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease the pledge created by the Resolution as provided by Section 6.06. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2002 A Bonds Sinking Fund, and otherwise as prescribed by Section 6.06. Any balance remaining after such defeasance shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of the Revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same fiscal year for such sales, leases or other disposition of such property, is not in excess of \$50,000, the District shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the District may then provide for the sale of such property. The proceeds of any such sale shall be deposited in

the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same fiscal year for such sales, leases or other disposition of such property, shall be in excess of \$50,000 but not in excess of \$100,000, the District shall first, determine upon consultation with its 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, approve and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. 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 West Virginia Water Development 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 disposition of such property, shall be in excess of \$100,000 and insufficient to defease the pledge created by the Resolution on all Bonds Outstanding, as provided by Section 6.06 of the Resolution, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 50% in amount of 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 other obligations whatsoever payable from the Revenues of the System, which rank prior to, or equally, as to lien on and source of and security for payment from the Revenues with, the Bonds, provided that additional Bonds on parity with the Bonds may be issued as provided in the Resolution. See "SECURITY FOR THE SERIES 2002 A BONDS-Additional Parity Bonds." All obligations issued by the District payable from the Revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from Revenues and in all other respects, to the Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to additional parity Bonds, upon any of the income and Revenues of the System pledged for payment of the Bonds and the interest thereon in the Resolution, or upon the System or any part thereof.

Insurance. The District will carry, with a reputable insurance carrier or carriers, procure and maintain insurance and bonds and workers' compensation coverage with a reputable

insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

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

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

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

D. FIDELITY BONDS will be provided as to every officer and employee of the District having custody of the Revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

No Free Services. The District will not render or cause to be rendered any free services of any nature by its System, 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 of the District shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be Revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other Revenues derived from the operation of the System.

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

Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any registered owner of the Series 2002 A Bonds shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The 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. The District shall maintain separate control accounting records.

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, 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.

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

Operating Budget. The District shall annually, at least 45 days preceding the beginning of each fiscal year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No increased expenditures for the operation and maintenance of the System in excess of 10% of the amount of such annual budget shall be made in any fiscal year without a written certification by a registered professional engineer, which shall state in detail the purpose of such increased expenditures and that such increased expenditures are necessary for the operation and maintenance of the System, and no such increased expenditures shall be made until the District shall approved such finding and recommendation by a resolution duly adopted. 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

resolutions to the Original Purchaser and to any registered owner of the Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Resolution or any supplemental resolution may be made without the written consents of the registered owners and any Bond Insurer of sixty percent in aggregate principal amount of the Series 2002 A Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2002 A Bond without the express written consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Bonds required for consent to any such amendment or modification.

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Series 2002 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the respective pledges of the Net Revenues and other moneys and securities pledged under the Resolution, and all covenants, agreements and other obligations of the District on behalf of the registered owners of the Series 2002 A Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2002 A Bonds from gross income for federal income tax purposes.

Series 2002 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 such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Series 2002 A Bonds shall, prior to the maturity thereof, be deemed to have been paid 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 an escrow trustee at the same or earlier time, shall be sufficient to pay when due the principal of, redemption premium, if any, and interest due and to become due on the Bonds on and prior to the maturity dates thereof or if the District irrevocably determines to redeem any of the Series 2002 A Bonds prior to the maturity thereof, or if the District irrevocably determines to redeem any of the Series 2002 A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys so deposited with the Bond Commission or an escrow trustee nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on the Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bond Commission or an 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 interest to become due on the 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 free and clear of any trust, lien or pledge. The

Bond Commission may appoint an escrow trustee to hold such moneys or securities. With respect to defeasance, the term securities includes only Government Obligations.

#### Default and Remedies

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

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 2002 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 2002 A Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given written notice of such default, requiring the same to be remedied, by any registered owner of the Series 2002 A Bonds;

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.

D. If default occurs with respect to the any of the Prior Bonds or the Prior Resolutions.

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 Series 2002 A 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.

Remedies. 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 (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceedings enforce all rights of the Bondholders, including the right to require the District to perform its duties under the Act and the Resolution; (iii) bring suit upon the Series 2002 A Bonds; (iv) by action at law or bill in equity require the District to account as if it were the trustee of an express trust for the Bondholders; and (v) 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 2002 A Bonds shall be on a parity with those of the Holders of the Series 1989 A Bonds

and the Series 2001 A Bonds, and senior and prior to those rights and remedies of the Holders of the Series 1989 C 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, fees and other charges sufficient to provide for the payment of operating expenses of the System, the payment of the Bonds and the deposits into the funds and accounts established with respect to the Series 2002 A Bonds and to apply such rates, 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 in the name of the District exercise all the rights and powers of the District with respect to said facilities as the District itself might do.

Whenever all that is due upon the Series 2002 A Bonds and interest thereon and under any covenants of the Resolution for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of the Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any 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 conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing contained in the Resolution shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth in the Resolution.

Any receiver appointed as provided in the Resolution shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and

Bondholders 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 Bondholders, and the curing and making good of any default under the provisions of the Resolution, and the title to and ownership of the System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Merger, Consolidation or Acquisition. The District may, without the consent of the holders of the Series 2002 A Bonds, either merge into, be consolidated with or be acquired by, another public service district or municipality at any time following the issuance of the Series 2002 A Bonds; provided, however, that such merger, consolidation or acquisition may only occur if the 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 set forth in Section 6.08 of the Resolution.

## TAX MATTERS

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2002 A Bonds (i) is excludable from gross income of the holders thereof for Federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Internal Revenue Code of 1986, as amended, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest paid to corporate holders of the Series 2002 A Bonds may be indirectly subject to alternative minimum tax under certain circumstances, and (iii) under the laws of the State of West Virginia, the Series 2002 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2002 A Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

The District has designated the Series 2002 A Bonds as "qualified tax-exempt obligations" and has covenanted that it does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds) during the calendar year 2002. Therefore, the Series 2002 A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the provision of the Code which disallows all deductibility of interest expense incurred by financial institutions on debt incurred or to purchase or carry most tax-exempt obligations does not apply to the Series 2002 A Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2002 A Bonds is deductible for federal income tax purposes.

The opinions described above are subject to the condition that the District complies on a continuing basis with all requirements of the Internal Revenue Code of 1986, as

amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2002 A Bonds for interest thereon to be or continue to be excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Series 2002 A Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation retroactively to the date of issuance of the Series 2002 A Bonds.

The accrual or receipt of the interest on the Series 2002 A Bonds may otherwise affect the federal income tax liability of certain recipients. The extent of these and other consequences will depend upon the recipient's particular tax status or other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences, and investors should consult their tax advisors regarding the tax consequences of purchasing or holding the Series 2002 A Bonds.

The initial public offering price of the Series 2002 A Term Bonds maturing on March 1, 2022 and 2029 (the "Discount Bonds") is less than that amount payable on such Discount Bonds at maturity. The difference between the initial public offering price at which such Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Bond Counsel is of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain for Federal income tax purposes.

Interest in the form of OID is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of OID which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period is equal to the difference between the product of (a) one-half of the yield for the Discount Bonds (adjusted as necessary for an initial short period) and (b) the tax basis of the Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the OID that is treated as having accrued during all prior semiannual compounding periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, the OID which would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amount among the days in such compounding period.

Holders of Discount Bonds should consult their own tax advisors with respect to the determination for Federal income tax purposes of OID accrued upon sale or redemption of such Discount Bonds, and with respect to the state and local tax consequences of owning such Discount Bonds.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, sale and issuance of the Series 2002 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Plymale & Maddox, PLLC, Huntington, West Virginia, Counsel for the District will pass upon certain legal matters for the District. Robert R. Rodecker, Esquire, as special counsel to the District, will pass on certain legal matters regarding the Public Service Commission of West Virginia for the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

## **ABSENCE OF MATERIAL LITIGATION**

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the Series 2002 A Bonds, the Resolution or any agreement to which the District is a party and which is a part of the issuance of the Series 2002 A Bonds.

## **NEGOTIABLE INSTRUMENTS**

Pursuant to State law, the Series 2002 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2002 A BONDS - General."

## **UNDERWRITING**

The Underwriter named on the cover of this Official Statement is purchasing the Series 2002 A Bonds. The Purchase Contract provides that the Underwriter will purchase all the Series 2002 A Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of \$55,800 plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2002 A Bonds to certain dealers (including dealers depositing Series 2002 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

## **FINANCIAL STATEMENTS**

Included herein as Appendix B are the audited financial statements of the System as of and for the fiscal year ended June 30, 2002, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2002, dated October 1, 2002, of Somerville & Company, P.L.L.C., Certified Public Accountants. The general purpose financial statements and the combined and individual fund and account group financial statements of the

District (which include the System) have been audited by Somerville & Company, P.L.L.C. to the extent and for the period indicated in his report.

### **CONTINUING DISCLOSURE**

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2002 A Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2002 A Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred fifty (150) days following the end of the fiscal year of the District, commencing in 2003, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2002 A Bonds. Registered Owners may contact the District's General Manager at P. O. Box 775, Lavalette, West Virginia 25535 for more information.

### **MISCELLANEOUS**

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Resolution for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2002 A Bonds. The District has authorized the execution and distribution of this Official Statement.

### **NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT**

By: /s/ Steven L. Thompson  
Chairman

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**GENERAL INFORMATION REGARDING WAYNE COUNTY, WEST VIRGINIA**

Wayne County is a part of the Huntington-Ashland Metropolitan Statistical Area, which encompasses West Virginia, Kentucky and Ohio. Located off of Interstate 64, Wayne County is one of West Virginia's 55 counties. Wayne County was created by an act of the Virginia General Assembly on January 18, 1842 from part of Cabell County. The county was named in honor of General "Mad" Anthony Wayne.

George Washington originally surveyed the county in October 1770 as bounty lands for Captain John Savage and the 60 men in his company for their services during the French and Indian War. Captain Savage's land grant was issued on December 15, 1772, and it included much of present day Wayne County.

The first meeting of the County Court was held on April 11, 1842, at the home of Abraham Trout. Trout Hill was then established as the county seat, in honor of Abraham Trout, the first settler in the region and the owner of the land on which the town was laid out. A log cabin was constructed to house the court. The town was later incorporated on March 27, 1860, and renamed Fairview. The local residents often called it Wayne Court House by because the courthouse was the center of the area's social and economic life. In 1911, the town's name was changed to Wayne to conform with the local custom of referring to town as Wayne Court House or, if in a hurry, as Wayne.

**PER CAPITA INCOME**

In 2000, the average per capita income in Wayne County was \$21,106 with a total personal income of \$669,938,296.

**POPULATION - FACTS**

	Wayne County	State of WV
Population, 2001 estimate	42,665	1,801,916
Population, percent change, 04/01/00 – 07/01/01	-0.6%	-0.4%
Population, 2000	42,903	1,808,344
Population, percent change, 1990 – 2000	3.0%	0.8%
Persons under 5 years old	5.8%	5.6%
Persons under 18 years old	23.4%	22.3%
Persons 65 years old and over	14.9%	15.3%
White persons	98.8%	95.0%
Black or African American persons	0.1%	3.2%
American Indian and Alaska Native persons	0.2%	0.2%

Asian persons	0.2%	0.2%
Persons reporting some other race	0.1%	0.2%
Persons reporting two or more races	0.6%	0.9%
Female persons	51.1%	51.4%
Persons of Hispanic or Latino origin	0.5%	0.7%
White persons, not of Hispanic/Latino origin	98.4%	94.6%
High School graduates, persons 25 years and over, 1990	16,968	773,239
College graduates, persons 25 years and over, 1990	2,428	144,518
Housing units	19,107	844,623
Homeownership rate	78.1%	75.2%
Households	17,239	736,481
Persons per household	2.48	2.40
Households with persons under 18	34.0%	31.8%
Median household income, 1997 estimate	\$28,560	\$27,432
Persons below poverty, 1997 estimate	18.6%	16.8%
Children below poverty, 1997 estimate	26.8%	24.7%

#### BUSINESS – FACTS

	Wayne County	State of WV
Private nonfarm establishments, 1999	649	41,451
Private nonfarm employment, 1999	7,628	545,495
Private nonfarm employment, percent change 1990-1999	27.3%	13.1%
Nonemployer establishments, 1999	1,655	81,212
Manufacturers shipments, 1997 (\$1000)	325,030	18,293,309
Retail sales, 1997 (\$1000)	168,527	14,057,933
Retail sales per capita, 1997	\$4,004	\$7,743
Minority-owned firms, percent of total, 1997	n/a	3.8%
Women-owned firms, percent of total, 1997	29.6%	27.1%
Housing units authorized by building permits, 2000	50	3,763
Federal funds and grants, 2001 (\$1000)	240,295	12,540,808
Local government employment – full-time equivalent, 1997	1,229	59,926

#### GEOGRAPHY – FACTS

Land area, 2000 (square miles)	506	24,078
Persons per square mile, 2000	84.8	75.1
Metropolitan Area	Huntington – Ashland WV-KY-OH MSA	

Source: US Census Bureau

### **Employment and Unemployment Statistics - Annual Averages**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Civilian Labor Force	16,930	16,810	17,180	17,150	17,410
Total Employment	15,820	15,710	16,110	16,260	16,430
Total Unemployment	1110	1100	1070	890	980
Unemployment Rate	6.6%	6.5%	6.2%	5.2%	5.6%

---

Source: Bureau of Employment Security, State of WV

### **Employment and Wages Covered by Unemployment Compensation Programs (2001)**

Employment, Annual Average	9,487
Total Wages, Annual	\$264,323,210
Annual Wage, Annual Average	\$27,861
Weekly Wage, Annual Average	\$629.00

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Source: Bureau of Employment Security, State of WV

### **Top Ten Employers in Wayne County**

- 1) Board of Education
- 2) U.S. Veterans Medical Center
- 3) Wal-Mart
- 4) Penn Coal Corporation
- 5) Wayne Community Service Organization
- 6) Panhandle Supply Service
- 7) Rock Spring Development, Inc.
- 8) Hatfield Dock and Transfer
- 9) Corbin, Ltd.
- 10) Aristech Chemical Corporation

**Public Schools**

Elementary – 12  
 Middle or Jr. High – 6  
 High Schools – 3  
 2000 Public High School Graduates – 500

**Medical Facilities**

Hospitals - 1  
 Doctors - 11  
 Dentists - 10

**Child Care**

Licensed Day Care Centers - 13

**Universities and Colleges**

Marshall University – Huntington (Cabell County)  
 Southern WV Community College – Logan (Logan County)  
 West Virginia State College – Institute (Kanawha County)

**Communications**

Newspapers - 1  
 Radio Stations - 1  
 Cellular Service – Yes  
 Telegraph Service - Yes

**Recreational Facilities**

Auditoriums – 2  
 Stadiums – 6  
 Baseball/Softball Fields – 9  
 Basketball Courts (Indoor) – 7  
 Basketball Courts (Outdoor) – 4  
 Swimming Pools – 3  
 Country Clubs – 2  
 Golf Courses – 2  
 Parks – 7  
 Tennis Courts (Outdoor) – 5  
 Playgrounds – 7

**Utilities and Services**

Electricity – AEP  
 Natural Gas – Consumer Gas  
 Utility, Inland Gas, Allegheny Gas

**Climate**

Temperature (Degrees F) Mean Annual Average – 55

January Averages	High	41	Low	23
July Averages	High	84	Low	65

Long Term Precipitation (inches):

January – 3.05  
 July – 5.05  
 Annual – 43.0  
 Mean Annual Snowfall Range (inches) – 25 to 30

**FINANCIAL STATEMENTS**

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AUDIT REPORT

OF

NORTHERN WAYNE COUNTY  
PUBLIC SERVICE DISTRICT

FOR THE YEARS ENDED  
JUNE 30, 2002 AND 2001

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OCTOBER 1, 2002

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PARTNERS:

MARK E. RICHARDSON, CPA  
FLOYD E. HARLOW, JR., CPA  
LISA L. O'DELL, CPA  
SUSAN K. RICHARDSON, CPA  
BARRY L. BURGESS, CPA



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Northern Wayne County Public Service District  
Lavalette, West Virginia

We have audited the accompanying financial statements of Northern Wayne County Public Service District as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Wayne County Public Service District as of June 30, 2002 and 2001 and the results of its operations, changes in fund equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2002 on our consideration of Northern Wayne County Public Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Northern Wayne County Public Service District taken as a whole. The accompanying supplementary information and the Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements of Northern Wayne County Public Service District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Somerville & Company P.L.L.C.*

October 1, 2002

MEMBERS

- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- WEST VIRGINIA, OHIO AND KENTUCKY SOCIETIES OF CERTIFIED PUBLIC ACCOUNTANTS
- DIVISION FOR CPA FIRMS SEC PRACTICE SECTION PRIVATE COMPANIES PRACTICE SECTION
- TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- CPA ASSOCIATES INTERNATIONAL, INC., WITH OFFICES IN PRINCIPAL U.S. AND INTERNATIONAL CITIES

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

BALANCE SHEET

June 30, 2002 and 2001

ASSETS

	<u>2002</u>	<u>2001</u>
Current Assets:		
Cash and cash equivalents	\$ 55,825	\$ 75,304
Certificates of deposit	52,908	108,695
Accounts receivable - trade (less allowance for doubtful accounts of \$18,759 in 2002 and 2001)	133,619	150,780
Accounts receivable - other	11,619	4,958
Inventories	20,993	26,693
	<hr/>	<hr/>
Total current assets	274,964	366,430
Utility Plant In Service:		
Land and land rights	214,763	214,763
Structures and improvements	81,454	81,454
Electrical system	1,369,889	1,369,889
Collection system	4,717,854	4,566,651
Office furniture and equipment	24,720	23,045
Pump system	746,290	707,798
Force mains	6,444,645	6,444,645
Transportation equipment	87,696	65,852
Tool and shop equipment	40,520	40,520
Odor control building	101,103	101,103
Odor control equipment	239,982	175,656
Construction in progress	183,639	86,240
Reserve for property loss	11,026	11,350
Office facility	162,675	162,675
	<hr/>	<hr/>
	14,426,256	14,051,641
Less accumulated depreciation	4,462,947	4,034,006
	<hr/>	<hr/>
Utility plant in service - net	9,963,309	10,017,635
Restricted Funds:		
Sinking funds	466,371	465,357
	<hr/>	<hr/>
Other Assets:		
Bond acquisition costs	11,694	11,839
	<hr/>	<hr/>
	\$ 10,716,338	\$ 10,861,261
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

BALANCE SHEET

June 30, 2002 and 2001

LIABILITIES AND FUND EQUITY

	<u>2002</u>	<u>2001</u>
Current Liabilities:		
Accounts payable - trade	\$ 56,014	\$ 11,340
Accrued interest	48,828	50,895
Other accrued liabilities	57,918	52,079
Current portion of long-term debt	<u>73,613</u>	<u>57,685</u>
Total current liabilities	236,373	171,999
Long-Term Debt	<u>4,614,483</u>	<u>4,636,596</u>
Total liabilities	<u>4,850,856</u>	<u>4,808,595</u>
Fund Equity:		
Contributions in aid of construction	8,705,680	8,705,680
Retained earnings (deficit)	<u>(2,840,198)</u>	<u>(2,653,014)</u>
Total fund equity	<u>5,865,482</u>	<u>6,052,666</u>
	<u>\$ 10,716,338</u>	<u>\$ 10,861,261</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

STATEMENT OF REVENUES AND EXPENSES

For the years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating Revenues:		
Service charges	\$ 1,241,265	\$ 1,260,786
Operating Expenses		
Pumping	333,786	365,412
Treatment and disposal	207,675	211,948
Depreciation and amortization	429,265	419,105
Taxes	19,982	21,218
General and administrative	226,046	208,269
Total operating expenses	<u>1,216,754</u>	<u>1,225,952</u>
Operating income	<u>24,511</u>	<u>34,834</u>
Nonoperating Income (Expense)		
Interest income	17,935	17,830
Interest expense	(318,701)	(322,407)
Gain on asset retirement	-	3,976
Late fee charges	34,966	35,475
Tap fee income	21,635	15,750
Grant income	-	55,000
Amortization of bond acquisition costs	(395)	(161)
Miscellaneous income	32,865	36,590
Total nonoperating income (expense)	<u>(211,695)</u>	<u>(157,947)</u>
Deficiency of Revenues Under Expenses	<u>\$ (187,184)</u>	<u>\$ (123,113)</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

STATEMENT OF FUND EQUITY

For the years ended June 30, 2002 and 2001

	Contributions In Aid of <u>Construction</u>	Retained Earnings <u>(Unappropriated)</u>	<u>Total</u>
Balance, June 30, 2000	\$ 8,705,680	\$ (2,529,901)	\$ 6,175,779
Net Loss	<u>-</u>	<u>(123,113)</u>	<u>(123,113)</u>
Balance, June 30, 2001	8,705,680	(2,653,014)	6,052,666
Net Loss	<u>-</u>	<u>(187,184)</u>	<u>(187,184)</u>
Balance, June 30, 2002	<u>\$ 8,705,680</u>	<u>\$ (2,840,198)</u>	<u>\$ 5,865,482</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

STATEMENT OF CASH FLOWS

For the years ended June 30, 2002 and 2001

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2002</u>	<u>2001</u>
Cash Flows From Operating Activities:		
Net loss	\$ (187,184)	\$ (123,113)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	429,660	419,266
(Gain) loss on sale of assets	-	(3,976)
Provision for bad debts	10,518	6,363
(Increase) decrease in current assets:		
Accounts receivable	(18)	(7,312)
Inventories	5,700	(2,916)
Increase (decrease) in current liabilities:		
Accounts payable	44,674	(15,582)
Accrued liabilities	3,772	5,744
Total adjustments	<u>494,306</u>	<u>401,587</u>
Net Cash Provided By Operating Activities	<u>307,122</u>	<u>278,474</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

STATEMENT OF CASH FLOWS

For the years ended June 30, 2002 and 2001

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2002</u>	<u>2001</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	\$ (374,938)	\$ (129,150)
Short-term investments - certificate of deposit	43,956	(56,174)
Bond acquisition costs	(250)	(12,000)
Proceeds from sale of assets	-	23,908
	<hr/>	<hr/>
Net cash flows used in investing activities	(331,232)	(173,416)
	<hr/>	<hr/>
Cash Flows From Capital Financing and Related Activities:		
Proceeds from bond issue	48,300	435,487
Principal payments on bonds	(54,486)	(121,615)
Funding of restricted deposits	(235,619)	(688,141)
Disbursement of restricted deposits	234,605	288,925
Principal payments on notes	-	(3,788)
	<hr/>	<hr/>
Net cash flows used in financing activities	(7,200)	(89,132)
	<hr/>	<hr/>
Net Increase (Decrease) in Unrestricted Cash and Cash Equivalents	(31,310)	15,926
Unrestricted Cash and Cash Equivalents at Beginning of Year	<hr/> 80,639	<hr/> 64,713
Unrestricted Cash and Cash Equivalents at End of Year	<hr/> <u>\$ 49,329</u>	<hr/> <u>\$ 80,639</u>

Supplemental Disclosures of Cash Flow Information:

Cash Paid During The Year For:

Interest	\$ 320,768	\$ 322,762
----------	------------	------------

The accompanying notes are an integral part of these financial statements.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

1. Summary of significant accounting policies:

A. Nature of operations:

Northern Wayne County Public Service District was created and organized as a public body corporate in Wayne County, West Virginia for the purpose of constructing, maintaining and operating a sewage facility for the collection, treatment, purification, or disposal of liquid or solid wastes and will be conducive to the preservation of public health, comfort and convenience of the area. The District is exempt from all federal and state income taxes.

B. Basis of presentation:

The District is a governmental entity that has elected to comply and follow the statements of the Financial Accounting Standards Board pronouncements issued after 1989 if they are not in conflict with or contradicts the Governmental Accounting Standards Board pronouncements.

C. Method of accounting:

The accompanying financial statements are presented using the accrual method of accounting.

D. Inventories:

The District's records inventories at the lower of cost or market on the first-in, first-out method of accounting.

E. Utility plant in service:

Utility plant in service is stated at original cost. Depreciation is provided in amounts sufficient to relate the original cost of depreciable assets to operations over their estimated useful lives of 10 to 50 years using the straight line method.

F. Cash equivalents:

The District considers all unrestricted highly liquid investments purchased with original maturities of three months or less to be cash equivalents for purposes of the Statement of Cash Flows.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

1. Summary of significant accounting policies (Cont'd):

G. Accounting estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Advertising costs:

Advertising costs are expensed as incurred.

2. Restricted funds:

The District is required to maintain bond and interest sinking funds to be used for debt service in order to comply with its bond resolutions. Generally, 1/10th of each monthly interest and principal payment must be reserved on a monthly basis. In addition, the District's bond resolutions require it to maintain reserve funds for the purpose of paying the cost of unusual maintenance and repairs and constructing extensions and improvements to the sewer system. As of June 30, 2002, the reserve funds are fully funded in accordance with the bond requirements. The balance of the restricted funds at June 30, 2002 and 2001 are as follows:

	<u>2002</u>	<u>June 30,</u> <u>2001</u>
Bond and interest sinking funds	\$ 73,707	\$ 69,932
Reserve funds	<u>392,664</u>	<u>395,425</u>
	<u>\$ 466,371</u>	<u>\$ 465,357</u>

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

3. Long-term debt:

The District's long-term debt at June 30, 2002 and 2001 consisted of:

	<u>2002</u>	<u>2001</u>
West Virginia Water Development Authority Series 1989A	\$ 2,203,630	\$ 2,223,560
West Virginia Water Development Authority Series 1989C	250,626	259,577
Farmers Home Administration Loan	1,754,202	1,775,657
West Virginia Development of Environmental Protection Series 2001A	<u>479,638</u>	<u>435,487</u>
	4,688,096	4,694,281
Less current portion	<u>73,613</u>	<u>57,685</u>
	<u>\$ 4,614,483</u>	<u>\$ 4,636,596</u>

On March 16, 1989, the West Virginia Water Development Authority issued 1989 Series A and C bonds to be used in the construction of the sewage treatment system. The Series A bonds were to be repaid semiannually at a rate of 8.40% with total payments each year including interest amounting to \$206,708. The bonds are payable through 2029 and are secured by the revenues of the system. The Series C bonds were issued without interest and are payable \$8,951. per year until 2029 and are also secured by the revenues of the District.

On January 30, 2001, the West Virginia Department of Environmental Protection issued 2001 Series A bonds to be used in the improvement and extension of the sewage treatment system. The bonds were issued without interest and are payable \$16,596. per year until 2032. These bonds are also secured by the revenues of the system.

Provisions of bond resolutions include certain restrictions and provisions, which include establishment of reserves. As previously stated in Note 2, these reserves are fully funded in compliance with the bond provisions.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

3. Long-term debt (Cont'd):

The Farmers Home Administration loaned the Public Service District \$1,950,000. on February 15, 1989 for the purpose of constructing a sewer system in Northern Wayne County, West Virginia. The terms of the loan consisted of payments in the amount of \$12,943. including interest, to be made monthly at a rate of 7.5% until the year 2028. This loan is secured by a pledge of the revenues of the system.

Maturities of long-term debt are as follows:

Year ended June 30,	
2002	\$ 73,613
2003	75,493
2004	81,488
2005	86,221
2006	91,121
Thereafter	<u>4,280,160</u>
	<u>\$ 4,688,096</u>

4. Credit risk:

The District maintains cash balances at various local financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000.

SUPPLEMENTARY INFORMATION

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2002

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Environmental Protection Agency	Capitalization Grant	66.458	<u>\$ 479,638</u> *

\* Outstanding Loan Balance

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

SUPPORTING DATA REQUIRED BY FmHA

For the years ended June 30, 2002 and 2001

Accounting System:

The District's accounting system, records and procedures are adequate for the size and nature of its operations.

Physical Control Over Assets:

The District's internal control structure and accounting system provide reasonable, but not absolute assurance as to the safeguarding of assets against loss from unauthorized use or disposition.

Financial Report:

The financial statements of the District were prepared from the District's accounting records.

Cash:

The financial institutions used by the District to deposit funds are all insured by the federal government.

Previously Recommended Corrective Action:

None

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
 SUPPLEMENTAL DATA  
 The Following Data Should Be Supplied Where Applicable

1. ALL BORROWERS

- a. Are deposited funds in institutions insured by the Federal Government?  YES  NO
- b. Are you exempt from Federal income tax?  YES  NO
- c. Are Local, State and Federal taxes paid current?  YES  NO
- d. Is corporate status in good standing with State?  YES  NO
- e. List kinds and amounts of insurance and fidelity bond. Complete Only when submitting annual budget information:

<u>Insurance Coverage and Policy Number</u>	<u>Insurance Company and Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
Property Insurance Policy Number <u>P2719</u>	WV State Board of Risk and Insurance Management Charleston, WV	See Attached	July 1, 2002
Liability Policy Number <u>L2719</u>	WV State Board of Risk and Insurance Management Charleston, WV	See Attached	July 1, 2002
Fidelity Policy Number <u>L2719</u>	WV State Board of Risk and Insurance Management Charleston, WV	See Attached	July 1, 2002

2. Recreation and Grazing Association Borrowers Only

- a. Number of Members

Year To Date

3. Water and/or Sewer Utility Borrowers Only

- a. Water purchased or produced (CU FT - GAL)
- b. Water sold (CU FT - GAL)
- c. Treated waste (CU FT - GAL) (Transport)
- d. Number of users - water
- e. Number of users - sewer

Not Applicable  
Not Applicable  
142.24 MG  
Not Applicable  
2,387

4. Other Utilities

- a. Number of users
- b. Product purchased
- c. Product sold

Not Applicable

5. Health Care Borrowers Only

- a. Number of beds
- b. Patient days of care
- c. Percentage of occupancy
- d. Number of outpatient visits

Not Applicable

6. Distribution of All Cash and Investments\*

Indicate balances in the following accounts:

	<u>Debt Service</u>	<u>** All Others</u>	<u>Grand Total</u>
Cash	\$ 466,371	\$ 28,591	\$ 494,962
Savings and Investments	-	80,142	80,142
Totals	<u>\$ 466,371</u>	<u>\$ 108,733</u>	<u>\$ 575,104</u>

7. Age Accounts Receivable As Follows:

	<u>Days</u>				<u>Total *</u>
	<u>0-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91 and Older</u>	
Dollar Values	<u>\$ 111,151</u>	<u>\$ 28,826</u>	<u>\$ 4,471</u>	<u>\$ 7,930</u>	<u>\$ 152,378</u>

Number of Accounts

\* Totals must agree with those on Balance Sheet

\*\* Includes Board designated reserves

2,387

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

ADDITIONAL INFORMATION

For the year ended June 30, 2002

Name of Current Contact Person and Telephone Number  
 Becky Ferman, (304) 523-1070

GOVERNING BODY

<u>Name</u>	<u>Address</u>	<u>Expiration Term of Office</u>
Chairman	Steven L. Thompson Lavalette, WV	P. O. Box 775 August 1, 2004
Secretary	Patrick C. Myers Lavalette, WV	P. O. Box 775 August 1, 2006
Treasurer	Patrick C. Myers Lavalette, WV	P. O. Box 775 August 1, 2006
Commissioner	William John Dunkle Lavalette, WV	P. O. Box 775 March 1, 2008

BREAKDOWN OF USERS

(For System Extension Funded With FmHA Grant Funds)

Residential Users	2,321
Commercial Users with Residential Size Service	1
Commercial Users	57
Industrial	2
Public Authority	6
Date of Verification	7-5-02

ETHNIC RACE BREAKDOWN

White	Not Available
Hispanic	Not Available
Asian/PI	Not Available
American Indian/An	Not Available

CERTIFIED OPERATOR

Certified Operator Employed  YES  NO  Not Applicable

PARTNERS:

MARK E. RICHARDSON, CPA  
FLOYD E. HARLOW, JR., CPA  
LISA L. O'DELL, CPA  
SUSAN K. RICHARDSON, CPA  
BARRY L. BURGESS, CPA



Somerville & Company, P.L.L.C.

Certified Public Accountants

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To The Board of Directors  
Northern Wayne County Public  
Service District  
Lavalette, West Virginia

We have audited the financial statements of Northern Wayne County Public Service District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Northern Wayne County Public Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC  
ACCOUNTANTS

MEMBERS

- WEST VIRGINIA, OHIO AND KENTUCKY SOCIETIES OF CERTIFIED PUBLIC ACCOUNTANTS
- DIVISION FOR CPA FIRMS SEC PRACTICE SECTION PRIVATE COMPANIES PRACTICE SECTION
- TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- CPA ASSOCIATES INTERNATIONAL, INC., WITH OFFICES IN PRINCIPAL U.S. AND INTERNATIONAL CITIES

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northern Wayne County Public Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Somerille & Company P.L.L.C.*

October 1, 2002

PARTNERS:

MARK E. RICHARDSON, CPA  
FLOYD E. HARLOW, JR., CPA  
LISA L. O'DELL, CPA  
SUSAN K. RICHARDSON, CPA  
BARRY L. BURGESS, CPA



Somerville & Company, P.L.L.C.

Certified Public Accountants

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501 FIFTH AVENUE  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Northern Wayne County Public Service District  
Lavalette, West Virginia

Compliance

We have audited the compliance of Northern Wayne County Public Service District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Northern Wayne County Public Service District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northern Wayne County Public Service District's management. Our responsibility is to express an opinion on Northern Wayne County Public Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Wayne County Public Service District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northern Wayne County Public Service District's compliance with those requirements.

In our opinion, Northern Wayne County Public Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

MEMBERS

- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- WEST VIRGINIA, OHIO AND KENTUCKY SOCIETIES OF CERTIFIED PUBLIC ACCOUNTANTS
- DIVISION FOR CPA FIRMS SEC PRACTICE SECTION PRIVATE COMPANIES PRACTICE SECTION
- TAX DIVISION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- CPA ASSOCIATES INTERNATIONAL, INC., WITH OFFICES IN PRINCIPAL U.S. AND INTERNATIONAL CITIES

### Internal Control Over Compliance

The management of Northern Wayne County Public Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northern Wayne County Public Service District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Somerville & Company P.L.L.C.*

October 1, 2002

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2002

SECTION I - SUMMARY OF AUDITORS' RESULTS

	<u>YES</u>	<u>NO</u>
<b>FINANCIAL STATEMENTS</b>		
Type of auditors' report issued: Unqualified		
Internal control over financial reporting:		
Material weakness(es) identified?		X
Reportable condition(s) identified that are not considered to be material weaknesses?		None Reported
Noncompliance material to financial statements noted?		X
<b>FEDERAL AWARDS</b>		
Internal control over major programs:		
Material weakness(es) identified?		X
Reportable condition(s) identified that are not considered to be material weaknesses?		None Reported
Type of auditors' report issued on compliance for major programs: Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		X
Identification of major programs:		
Environmental Protection Agency 66.458		
Dollar threshold used to distinguish between Type A and type B programs:	\$ 300,000.	
Auditee qualified as low-risk auditee?		X

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2002

SECTION II -- FINANCIAL STATEMENT FINDINGS

Criteria or specific requirements	None Reported
Condition	None Reported
Questioned costs	None Reported
Context	None Reported
Effect	None Reported
Cause	None Reported
Recommendation	None Reported
Management response	None Reported

SECTION III -- FINDINGS AND QUESTIONED COSTS

No items were noted

SECTION IV -- CORRECTIVE ACTION PLAN

No items were noted

SECTION V -- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items were noted

**FORM OF OPINION OF BOND COUNSEL**

FORM OF OPINION OF BOND COUNSEL

December 11, 2002

\$1,860,000

Northern Wayne County Public Service District  
(West Virginia)

Sewer Refunding Revenue Bonds, Series 2002 A

Northern Wayne County Public Service District  
Lavalette, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Northern Wayne County Public Service District (West Virginia) (the "Issuer") of its \$1,860,000 in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on October 25, 2002, as supplemented by a Supplemental Resolution duly adopted by the Issuer on November 25, 2002 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

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

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
March 1, 2007	\$205,000	3.50%
March 1, 2012	\$235,000	4.50%
March 1, 2017	\$295,000	5.20%
March 1, 2022	\$385,000	5.40%
March 1, 2029	\$740,000	5.50%

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 Sewerage Revenue Bonds, Series 1989 B, dated February 15, 1989, issued in the original aggregate principal amount of \$1,950,000, of which \$1,750,931.86 is presently outstanding (the "Series 1989 B Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated November 25, 2002, and accepted by the Issuer (the "Purchase Agreement").

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

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

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

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

3. Assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement and the Continuing Disclosure Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the

Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

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

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

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

7. The Series 1989 B Bonds have been paid within the meaning and with the effect expressed in the 1989 B Resolution and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1989 B Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the United States Department of Agriculture, Rural Utilities Service, relating to the receipt of the monies to provide for the payment on December 11, 2002 of the principal of and all interest accrued on the Series 1989 B 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 Sewerage System Revenue Bonds, Series 1989 A (West Virginia Water Development Authority), and the Sewerage System Design Revenue Bonds, Series 2001 A (West Virginia SRF Program) and senior and prior to the Subordinate Sewerage System Revenue Bonds, Series 1989 (West Virginia Water Development Authority), all in accordance with the terms of the Bonds and the Resolution.

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

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

Very truly yours,

STEPTOE & JOHNSON PLLC

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
as Issuer,

Dated as of December 1, 2002

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THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made and entered into as of the 1<sup>st</sup> day of December, 2002, by NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT (the "Issuer").

RECITALS:

WHEREAS, the Issuer has issued or will issue its \$1,860,000 Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"), pursuant to a Bond Resolution approved on October 25, 2002 (the "Resolution"), to (i) repay certain existing indebtedness; (ii) fund a debt service reserve for the Bonds; and (iii) to pay costs relating to the issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement dated November 15, 2002, and an Official Statement dated November 25, 2002 (collectively, the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated as of November 25, 2002 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Issuer wishes to provide for the disclosure of certain information concerning the Bonds and other matters on a continuing basis as set forth herein for the benefit of the Bondholders in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Resolution, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

**Section 1. Definitions: Scope of this Certificate.**

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Resolution, as amended and supplemented from time to time. In addition, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean annual financial information and operating data customarily prepared by the Issuer and which is publicly available and which appears in the Offering Document. The Issuer customarily prepares audited annual financial information using generally accepted accounting procedures, provided however, that the Issuer may change the accounting principles used for preparation of such financial information so long as the Issuer includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. This Annual Financial Information is customarily available to the public.

"Disclosure Representative" shall mean the Chairman of the Issuer, and any successor thereto, or such other person as the Issuer may from time to time designate in writing.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall mean, as to the Issuer, any of the events listed in items (i) through (xii) below, the occurrence of which the Issuer and/or the Disclosure Representative obtains knowledge, and which the Issuer or Disclosure Representative determines would constitute material information for Bondholders, provided, that the occurrence of an event described in clauses (iii), (v), (vi), (vii), (x), (xi) and (xii) shall always be deemed to be material. The following events, if material, shall constitute Material Events:

- (i) any delinquency in the payment of principal of or interest on the Bonds;
- (ii) any nonpayment related Event of Default under the Resolution;
- (iii) the occurrence of any unscheduled draws on any debt service reserve fund or account under the Resolution reflecting financial difficulties;
- (iv) the occurrence of any unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) any substitution of credit or liquidity providers or the failure of any such credit or liquidity providers to perform;
- (vi) any adverse tax opinions or other events affecting the exclusion from gross income of the interest on the Bonds;
- (vii) any modifications of the rights of any Bondholder;
- (viii) the notice to the Bondholders of any optional or other unscheduled redemption;
- (ix) the defeasance of any Bonds;
- (x) the release, substitution or sale of property securing the repayment of the Bonds;
- (xi) any change in any rating provided by a nationally recognized municipal securities rating agency on the Bonds; and
- (xii) any other material event affecting the Bonds or the Issuer.

"NRMSIR" shall mean all of the Nationally Recognized Municipal Securities Information Repositories as of the date hereof, as set forth in EXHIBIT A hereto, and all future Nationally Recognized Municipal Securities Information Repositories approved by the SEC from time to time.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Release" shall mean Securities and Exchange Commission Release No. 34-34961.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository, as such term is used in the Release, if and when a SID is created for the State.

"State" shall mean the State of West Virginia.

"Turn Around Period" shall mean two (2) business days with respect to Material Event occurrences disclosed by the Issuer to the Disclosure Representative, or, which otherwise become known to the Disclosure Representative.

(B) This Certificate applies to the Bonds and any additional bonds or other obligations issued under the Resolution or any supplement thereto.

(C) The Disclosure Representative shall have no obligation to make disclosure in connection with the Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Representative under any other agreement with the Issuer.

## **Section 2. Disclosure of Information.**

(A) General Provisions. This Certificate governs the Issuer's direction to the Disclosure Representative, with respect to information to be made public and in its actions under this Certificate.

(B) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 3 hereof, the Issuer shall make or cause the Disclosure Representative to make public the information set forth in subsections (1) and (2) below:

(1) Annual Financial Information. Annual Financial Information of the Issuer at least annually not later than December 31 (the "Disclosure Date"), beginning with the fiscal year ending June 30, 2003, and continuing with each fiscal year thereafter, shall be subject to disclosure. The Disclosure Representative shall, on behalf of the Issuer, provide Annual Financial Information to the NRMSIR and SID not later than the Disclosure Date referenced above. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(C) Information Provided by Disclosure Representative to Public.

(1) The Issuer directs the Disclosure Representative on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Representative agrees to act as the Issuer's agent in so making public, as regards the operations of the Issuer, the following:

- (a) Annual Financial Information;
- (b) Material Event occurrences; and
- (c) such other information as the Issuer shall determine to make public through the Disclosure Representative.

The Issuer shall provide such information to the Disclosure Representative in the form required by subsection (C)(2) of this Section 2. If the Issuer chooses to include any information in any financial information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future financial information report or notice of occurrence of a Material Event.

(2) The information, which the Issuer has agreed to make public, shall be in the following form:

- (a) as to all notices, reports and financial statements to be provided to the Disclosure Representative by the Issuer, in the form of notice required by the Resolution, this Certificate or other applicable document or agreement; and
- (b) as to all other notices or reports, in such form as the Disclosure Representative shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Representative shall make public the Annual Financial Information and Material Event occurrences within the applicable Turn Annual Period. Notwithstanding the foregoing, Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Issuer to the Disclosure Representative has not been provided on a timely basis, the Disclosure Representative shall make such information public as soon thereafter as it is provided to the Disclosure Representative.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Issuer or the Disclosure Representative under this Certificate if it is transmitted to one or more of the following as provided in subsection (D)(2) of this Section 2:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Resolution;

(b) to each NRMSIR, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a NRMSIR by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the NRMSIR;

(c) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to a SID by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SID;

(d) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the MSRB by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the MSRB; and/or

(e) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Representative is authorized to transmit information to the SEC by whatever means are mutually acceptable to the Disclosure Representative or the Issuer, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Material Events shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(b) any notice of a failure by the Issuer to provide required Annual Financial Information, on or before the date required by this Certificate shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State);

(c) any other information which the Issuer decides to make public shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State); and

(d) all information described in clauses (a) and (b) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request.

Nothing in this subsection shall be construed to relieve the Registrar and Paying Agent under the Resolution, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Resolution, but nothing herein shall be construed to require the them to take any actions other than those set forth in the Resolution.

Nothing in this Certificate shall be construed to require the Disclosure Representative to interpret or provide an opinion concerning the information made public. If the Disclosure Representative receives a request for an interpretation or opinion, the Disclosure Representative may refer such request to the Issuer for response.

### **Section 3. Amendment or Modification.**

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate (and the Disclosure Representative shall agree to any amendment so requested by the Issuer) and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws acceptable to the Issuer to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

### **Section 4. Miscellaneous.**

(A) Compliance with Prior Continuing Disclosure Certificates. The Issuer certifies that, except as is set forth in the Preliminary Official Statement and the Official Statement, it is as of the date hereof in compliance with the provisions of all continuing disclosure certificates or similar agreements or certificates heretofore delivered in connection with the issuance of any prior bonds.

(B) Representations. The Issuer represents and warrants (i) that it has duly authorized the execution and delivery of this Certificate by its Chairman, (ii) that it has all requisite power and authority to execute and deliver, and perform this Certificate under its organizational documents and any resolutions now in effect, (iii) that the execution and delivery of this Certificate, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, resolution, decree, agreement or instrument by which it is bound, and (iv) that it is not aware of any litigation or proceeding pending, or, to the best of its knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Certificate, or its due authorization, execution and delivery of this Certificate, or otherwise contesting or questioning the issuance of the Bonds.

(C) Governing Law. This Certificate shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any

other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Certificate shall be interpreted and construed in a manner consistent therewith.

(D) Severability. If a court of competent jurisdiction hereof shall hold any provision invalid or unenforceable, the remaining provisions hereof shall survive and continue in full force and effect.

(E) Counterparts. This Certificate may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(F) Termination. This Certificate may be terminated by the Issuer upon thirty days' written notice of termination, provided that notice of the termination of this Certificate is provided to each NRMSIR, the appropriate SID, if any, and/or the MSRB and further provided that nationally recognized bond counsel provides an opinion that the new continuing disclosure certificate is in compliance with all State and Federal Securities laws; provided, however, the termination of this Certificate is not effective until the Issuer, or its successor, enters into a new continuing disclosure certificate and agrees to continue to provide, to each NRMSIR, SID and/or the MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB.

This Certificate shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or defeasance or at maturity, or if the Rule should be changed so as to no longer require this Certificate.

(G) Defaults: Remedies. The Issuer shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If a default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to the Issuer, the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds shall, or any Bondholder may, take such actions as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the Issuer to comply with its obligations under this Certificate. The Issuer acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder; and, therefore, agrees that the remedy of specific performance shall be the sole remedy available in any proceeding to enforce this Certificate. The occurrence of any event of default as provided in this Certificate shall not constitute an event of default under the Resolution.

(H) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Representative, the Participating Underwriter and Bondholders and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Issuer has caused it duly authorized officer to execute this Certificate as of the day, month and year first have been written.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT

By: \_\_\_\_\_  
Chairman

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of December 1, 2002:

### Bloomberg Municipal Repository

100 Business Park Drive

Skillman, New Jersey 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)

Email: [Munis@Bloomberg.com](mailto: Munis@Bloomberg.com)

### DPC Data Inc.

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

<http://www.dpcdata.com>

Email: [nrmsir@dpcdata.com](mailto: nrmsir@dpcdata.com)

### FT Interactive Data

Attn: NRMSIR

100 William Street

New York, New York 10038

Phone: (212) 771-6999

Fax: (212) 771-7390 (Secondary Market Information)

(212) 771-7391 (Primary Market Information)

<http://www.interactivedata.com>

Email: [NRMSIR@FTID.com](mailto: NRMSIR@FTID.com)

### Standard & Poor's J. J. Kenny Repository

55 Water Street

45th Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)

Email: [nrmsir\\_repository@sandp.com](mailto: nrmsir_repository@sandp.com)



**\$1,860,000**  
**NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT**  
**(WEST VIRGINIA)**

**Sewer Refunding Revenue Bonds, Series 2002 A**

**Date of Closing: December 11, 2002**

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NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
Sewer Refunding Revenue Bonds, Series 2002 A

SUPPLEMENTAL RESOLUTION

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

WHEREAS, Northern Wayne County Public Service District (the "Issuer"), in the County of Wayne, 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 October 25, 2002, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1989 B, OF NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,900,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR

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

WHEREAS, 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 1989 B, dated February 15, 1989 (the "Series 1989 B Bonds"), and issuance of its Sewer Refunding Revenue Bonds, Series 2002 A (the "Series 2002 A Bonds"), in an aggregate principal amount not to exceed \$1,900,000, for the purposes of paying a portion of the costs of such refunding, funding all or a portion of a reserve account for the Series 2002 A Bonds, and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

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

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

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Registrar Agreement hereinafter provided for be entered into by the

Issuer, that the Official Statement relating to the Series 2002 A Bonds, hereinafter described, be approved, that the dates, amounts, maturities, interest rates, redemption provisions, purchase price and other details of the Series 2002 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2002 A Bonds be herein provided for, all in accordance with the Resolution;

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

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

Section 2. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, dated the date of adoption of this Supplemental Resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Bond Purchase Agreement by the Chairman shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2002 A Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 2002 A Bonds, pursuant to the Bond Purchase Agreement, shall be \$1,770,192.90 (par amount of \$1,860,000, less Underwriter's Discount of \$55,800, less original issue discount of \$34,007.10), plus interest accrued from the date of the Series 2002 A Bonds to the date of delivery of the Series 2002 A Bonds, expected to be on or about December 11, 2002.

Section 3. The Issuer does hereby approve the transfer of \$155,376 from the Series 1989 B Bonds Reserve Account, held by the West Virginia Municipal Bond Commission, to the Depository Bank or directly to the Holder of the Series 1989B Bonds to provide sufficient funds to defease the Series 1989 B Bonds.

Section 4. 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 2002 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Continuing Disclosure 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 5. The Official Statement dated the date of adoption of this Supplemental Resolution, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Chairman), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Chairman shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated November 15, 2002 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Chairman is hereby ratified and approved.

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

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

Section 8. The Issuer does hereby appoint and designate The Huntington National Bank, Columbus, Ohio, for the purpose of serving in the capacity of Registrar and The Huntington National Bank, Lavalette, West Virginia, for the purpose of serving as Depository Bank.

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

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

REGISTRAR

The Huntington National Bank  
P.O. Box  
Columbus, Ohio  
Attention: Trust Department

PAYING AGENT

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

ORIGINAL PURCHASER

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

Section 11. Based upon the actual principal amount, maturity schedule and interest rates for the Series 2002 A Bonds, as set forth in EXHIBIT A - SERIES 2002 A BOND TERMS, attached hereto, it is hereby determined that the Series 2002 A Bonds show a net savings to the Issuer after deducting all expenses of the refunding. Prior to delivery of the Series 2002 A Bonds, the Issuer shall have obtained from Somerville & Company, P.L.L.C., or such other independent certified public accountant acceptable to the Chairman, a certification that the amount of savings stated to be achieved by the refunding shall in fact be correct, based upon their review, comparison and analysis of the total net debt service in dollars of the Series 2002 A Bonds and the remaining total net debt service in dollars of the Series 1989 B Bonds. The Chairman is hereby authorized and directed to employ Somerville & Company, P.L.L.C., Huntington, West Virginia, or such other independent certified public accountant satisfactory to bond counsel, to supply the certification required herein and to take other actions required in connection with the refunding.

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

Section 13. This Supplemental Resolution shall be effective immediately.

Adopted this 25th day of November, 2002.

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Chairman

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT on the 25th day of November, 2002.

Dated this 11th day of December, 2002.

[SEAL]

\_\_\_\_\_  
Secretary

12/03/02  
664320.00002

EXHIBIT A - SERIES 2002 A BOND TERMS

TERM BONDS

<u>Bond No.</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
AR-1	66605P AA2	March 1, 2007	\$ 205,000	3.50%	100%
AR-2	66605P AB0	March 1, 2012	\$ 235,000	4.50%	100%
AR-3	66605P AC8	March 1, 2017	\$ 295,000	5.20%	100%
AR-4	66605P AD6	March 1, 2022	\$ 385,000	5.40%	97.654%
AR-5	66605P AE4	March 1, 2029	\$ 740,000	5.50%	96.625%

### Optional Redemption

The Series 2002 A Bonds maturing on and after March 1, 2008, are subject to redemption, on or after March 1, 2007, at the option of the Issuer, in whole at any time or in part on any interest payment date, from any monies available for such purpose, at par, plus interest, if any, accrued to the date fixed for redemption.

### Sinking Fund Redemption

The Series 2002 A Bonds maturing March 1, 2007, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2003, and on each March 1 thereafter to and including March 1, 2007, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$45,000	2006	\$40,000
2004	40,000	2007*	40,000
2005	40,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2007, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$45,000	2011	\$50,000
2009	45,000	2012*	50,000
2010	45,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2012, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2013	\$55,000	2016	\$60,000
2014	55,000	2017*	65,000
2015	60,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2017, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2018	\$70,000	2021	\$80,000
2019	75,000	2022*	85,000
2020	75,000		

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

The Series 2002 A Bonds maturing March 1, 2029, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2029, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$90,000	2027	\$110,000
2024	95,000	2028	115,000
2025	100,000	2029*	125,000
2026	105,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2029, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

\*Stated maturity.

\$1,860,000

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

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

1. On the 11th day of December, 2002, in New York, New York, the Underwriter received the entire original issue of \$1,860,000 in aggregate principal amount of the Northern Wayne County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"). The Bonds, as so received on original issuance, are in various denominations, are dated December 1, 2002, and are numbered from AR-1 upward in order of maturity, and are registered in the name of "CEDE & CO."

2. At the time of such receipt of the Bonds, they had been executed by Steven L. Thompson as Chairman of the Issuer by his manual signature, and the official seal of the Issuer had been impressed upon each Bond and attested by Patrick Myers as Secretary of the Issuer by his manual signature, and had been authenticated by an authorized officer of The Huntington National Bank, Columbus, Ohio, 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	\$1,860,000.00
Less: Underwriter's Discount	\$ 55,800.00
Original Issue Discount	\$ 34,007.10
Plus: Accrued Interest (December 1, 2002 to December 11, 2002)	\$ 2,627.22
Total	<u>\$1,772,820.12</u>

Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of \$1,772,820.12.

\$1,860,000

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank, as Registrar  
Columbus, Ohio

Ladies and Gentlemen:

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

1. Bonds Nos. AR-1 through AR-5, inclusive, constituting the entire original issue of the Northern Wayne County Public Service District Sewer Refunding Revenue Bonds, Series 2002 A, dated December 1, 2002, in the aggregate principal amount of \$1,860,000 (the "Bonds"), executed by the Chairman and Secretary of Northern Wayne County 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 October 25, 2002, as supplemented by a Supplemental Resolution adopted by the Issuer on November 25, 2002 (collectively, the "Resolution").
2. Copies of the Resolution, certified by the Secretary of the Issuer.
3. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.
4. A signed, unqualified approving opinion of Steptoe & Johnson PLLC, as bond counsel.

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

Dated this 11th day of December, 2002.

NORTHERN WAYNE COUNTY PUBLIC SERVICE  
DISTRICT

By: \_\_\_\_\_  
Chairman

12/03/02  
664320.00002

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-1

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

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
3.50%	March 1, 2007	December 1, 2002	66605P AA <sup>2</sup> @

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED FIVE THOUSAND DOLLARS  
(\$205,000)

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

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

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each February 15 and August 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by The Huntington National Bank, Columbus, Ohio, 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 \$1,860,000 designated "Northern Wayne County Public Service District Sewer Refunding Revenue Bonds, Series 2002 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated December 1, 2002, the proceeds of which are to be used, together with other funds of the Issuer, (i) to refund all of the Sewer Revenue Bonds, Series 1989 B, dated February 15, 1989, of the Issuer outstanding in the total aggregate principal amount of \$1,750,931.86 (the "Series 1989 B Bonds"), which were issued to finance a portion of the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on October 25, 2002, and supplemented by a supplemental resolution duly adopted by the Issuer on November 25, 2002 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same

may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

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) SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 A, DATED MARCH 16, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,354,914 (THE "SERIES 1989 A BONDS"); AND

(ii) SEWERAGE SYSTEM DESIGN REVENUE BONDS, SERIES 2001 A, DATED JANUARY 30, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$497,857 (THE "SERIES 2001 A BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR TO WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS, SERIES 1989 C, DATED MARCH 16, 1989, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$349,086 (THE "SERIES 1989 C 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 Series 2002 A Bonds maturing on and after March 1, 2008, are subject to redemption, on or after March 1, 2007, at the option of the Issuer, in whole at any time or in part on any interest payment date, from any monies available for such purpose, at par, plus interest, if any, accrued to the date fixed for redemption.

(B) Sinking Fund Redemption

The Series 2002 A Bonds maturing March 1, 2007, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2003, and on each March 1 thereafter to and including March 1, 2007, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$45,000	2006	\$40,000
2004	40,000	2007*	40,000
2005	40,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2007, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$45,000	2011	\$50,000
2009	45,000	2012*	50,000
2010	45,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2012, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2013	\$55,000	2016	\$60,000
2014	55,000	2017*	65,000
2015	60,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2017, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2002 A Bonds maturing March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2018	\$70,000	2021	\$80,000
2019	75,000	2022*	85,000
2020	75,000		

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

The Series 2002 A Bonds maturing March 1, 2029, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2002 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2029, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	\$90,000	2027	\$110,000
2024	95,000	2028	115,000
2025	100,000	2029*	125,000
2026	105,000		

The principal amount of Series 2002 A Bonds maturing March 1, 2029, delivered to or purchased by the Purchaser shall reduce pro tanto the principal amount of Series 2002 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

\*Stated maturity.

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

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

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

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1989 A Bonds and the Series 2001 A Bonds, and senior and prior to the pledge on Net Revenues in favor of the holders of the Series 1989 C Bonds, and from monies in the reserve account created under the Resolution for the Bonds (the "Series 2002 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2002 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, or junior to the Bonds, including the Prior Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1989 B Bonds, fund a reserve account for

the Bonds, pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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

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

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

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

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

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

[SEAL]

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: December 11, 2002.

THE HUNTINGTON NATIONAL BANK,  
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.

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BONDS, SERIES 2002 A

MINUTES ON ADOPTION OF BOND RESOLUTION

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

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The Public Service Board of the Northern Wayne County Public Service District met in special session, pursuant to notice duly posted, on the 25th day of October, 2002, in Huntington, West Virginia, at the hour of 11:00 a.m.

PRESENT: Steven L. Thompson, Member  
Patrick Myers, Member  
William Dunkle, Member

ABSENT: None

Steven Thompson, Chairman, presided, and Patrick Myers, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

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

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1989 B, OF NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 2002 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$1,900,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED

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

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

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

CERTIFICATION

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

WITNESS my signature on this 11th day of December, 2002.

\_\_\_\_\_  
Secretary

12/03/02  
664320.00002

CH558638.1

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
SEWER REFUNDING REVENUE BONDS, SERIES 2002 A

MINUTES ON ADOPTION OF SUPPLEMENTAL RESOLUTION

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

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The Public Service Board of the Northern Wayne County Public Service District met in special session, pursuant to notice duly posted, on the 25th day of November, 2002, in Huntington, West Virginia, at the hour of 12:00 p.m.

PRESENT: Steven L. Thompson, Member  
William Dunkle, Member

ABSENT: Patrick Myers, Members

Steven Thompson, Chairman, presided, and William Dunkle, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

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

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

A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND  
MAKING OTHER PROVISIONS AS TO THE BONDS AND THE  
REFUNDING.

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

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

CERTIFICATION

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

WITNESS my signature on this 11th day of December, 2002.

\_\_\_\_\_  
Secretary

[LETTERHEAD OF STEPTOE & JOHNSON PLLC]  
(Form of Opinion of Bond Counsel)

December 11, 2002

\$1,860,000  
Northern Wayne County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, Series 2002 A

Northern Wayne County Public Service District  
Lavalette, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Northern Wayne County Public Service District (West Virginia) (the "Issuer") of its \$1,860,000 in aggregate principal amount Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on October 25, 2002, as supplemented by a Supplemental Resolution duly adopted by the Issuer on November 25, 2002 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

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

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
March 1, 2007	\$205,000	3.50%
March 1, 2012	\$235,000	4.50%
March 1, 2017	\$295,000	5.20%
March 1, 2022	\$385,000	5.40%
March 1, 2029	\$740,000	5.50%

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 Sewerage Revenue Bonds, Series 1989 B, dated February 15, 1989, issued in the original aggregate principal amount of \$1,950,000, of which \$1,750,931.86 is presently outstanding (the "Series 1989 B Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds and other costs in connection with such refunding.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated November 25, 2002, and accepted by the Issuer (the "Purchase Agreement").

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

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

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

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

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

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

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

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

7. The Series 1989 B Bonds have been paid within the meaning and with the effect expressed in the 1989 B Resolution and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 1989 B Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the United States Department of Agriculture, Rural Utilities Service, relating to the receipt of the monies to provide for the payment on December 11, 2002 of the principal of and all interest accrued on the Series 1989 B 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 Sewerage System Revenue Bonds, Series 1989 A (West Virginia Water Development Authority), and the Sewerage System Design Revenue Bonds, Series 2001 A (West Virginia SRF Program) and senior and prior to the Subordinate Sewerage System Revenue Bonds, Series 1989 (West Virginia Water Development Authority), all in accordance with the terms of the Bonds and the Resolution.

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

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

Very truly yours,

STEPTOE & JOHNSON PLLC

December 11, 2002

\$1,860,000  
Northern Wayne County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, Series 2002 A

Northern Wayne County Public Service District  
Lavalette, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by Northern Wayne County Public Service District (the "District") of its \$1,860,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2002 A (the "Series 2002 A Bonds"). In our capacity as bond counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2002 A Bonds and the exclusion of interest on the Series 2002 A Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated November 25, 2002, between the District and Crews & Associates, Inc. (the "Underwriter"), and approved by the District.

Based upon the foregoing, we are of opinion that:

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

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

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

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

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

Very truly yours,

STEPTOE & JOHNSON PLLC

[LETTERHEAD OF STEPTOE & JOHNSON PLLC]  
(Form of Opinion of Bond Counsel)

December 11, 2002

\$1,860,000  
Northern Wayne County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, Series 2002 A

Northern Wayne County Public Service District  
Lavalette, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel with respect to the above-referenced bonds (the "Series 2002 A Bonds"). The initial public offering price of the Series 2002 A Bonds maturing on March 1, in each of the following years, 2022, and 2029 (the "Discount Bonds"), is less than that amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which the Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). We are of the opinion that amounts received upon such disposition which are attributable to accrued OID will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Very truly yours,

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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 body corporate and politic, constituting a governmental agency of the State and existing under the provisions of the Act, pursuant to which the Issuer has full legal right, power and authority to enter into the Resolution, the Undertaking and the Purchase Agreement (the "Bond Documents") and each constitutes the legal, valid and binding agreement of the Issuer enforceable in accordance with its respective terms (subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and to general principles of equity), and compliance with the provisions of each thereof will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or any court order or decree or any agreement, contract or other instrument, to which the Issuer is party or otherwise subject or bound.

2. The District has full power and authority to consummate all transactions contemplated by the Series 2002 A Bonds, the Bond Documents and any and all other agreements relating thereto, to which the District is a party.

3. The District has duly authorized all action necessary to be taken by it or on its behalf for (i) the execution and delivery of the Bond Documents; (ii) the approval of the distribution of the Official Statement; (iii) the ratification of the actions of the District and the issuance and delivery of the Series 2002 A Bonds upon the terms set forth in the Resolution; and (iv) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. To the best of my knowledge, no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to disclose therein in order to make the statements and information therein with respect to the Issuer not misleading in any material respect.

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

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

7. The execution and delivery by the District of the Bond Documents and the performance of its 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 Bond Documents 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 is no litigation pending or threatened (a) to restrain or enjoin the issuance or delivery of any of the Series 2002 A Bonds or the collection of Revenues pledged under the Resolution, (b) in any way contesting the power or the authority of the Issuer for the issuance of the Series 2002 A Bonds or the validity of the Bonds, the Bond Documents, (c) in any way contesting the existence or powers of the Issuer relating to the issuance of the Series 2002 A Bonds.

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," "Absence of Material Litigation," "Management's Discussion," and "Continuing Disclosure" (as such information pertains to the Issuer) do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

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

Very truly yours,

PLYMALE & MADDOX PLLC

(LETTERHEAD OF ROBERT R. RODECKER, ESQUIRE)  
(Form of Opinion of Special Counsel to Issuer)

December 11, 2002

\$1,860,000  
Northern Wayne County Public Service District  
(West Virginia)  
Sewer Refunding Revenue Bonds, Series 2002 A

Northern Wayne County Public Service District  
Lavalette, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Steptoe & Johnson PLLC  
Charleston, West Virginia

Ladies and Gentlemen:

I am special counsel to Northern Wayne County Public Service District, a public service district in Wayne County, West Virginia (the "Issuer"). As such counsel, I have represented the Issuer in all matters related to the Public Service Commission of West Virginia for the issuance of the above-referenced bonds. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreements when used herein.

I am of the opinion that:

1. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations from the Public Service Commission of West Virginia necessary for the issuance of the Bonds, the operation of the System and the implementation of rates and charges, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Commission Order entered October 2, 2002, in Case No. 02-1454-PSD-PC, among other things, approving the refunding of the Series 1989 B Bonds and approving the financing for the Project. The time to file an appeal of the decision has expired prior to the date hereof without any appeal.

Northern Wayne County Public Service District, et al.  
Page 2

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

Very truly yours,

ROBERT R. RODECKER, ESQUIRE

12/05/02  
664320.00002

\$1,860,000

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

GENERAL CERTIFICATE OF ISSUER ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLIC SERVICE COMMISSION APPROVAL
5. AWARD OF BONDS; SIGNATURES
6. DELIVERY AND PAYMENT
7. CERTIFICATION OF DOCUMENTS
8. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
9. MEETINGS, ETC.
10. INCUMBENCY AND OFFICIAL NAME
11. RATES
12. DEFEASANCE OF THE SERIES 1989 B BONDS
13. OFFICIAL STATEMENT CERTIFICATION
14. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 7.2 (d); SUBSEQUENT EVENT
15. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK
16. IRS INFORMATION RETURN
17. SPECIMEN BONDS
18. RELIANCE
19. USE OF BOND PROCEEDS
20. COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of Northern Wayne County Public Service District, Wayne County, West Virginia (the "Issuer") and the undersigned ATTORNEY and SPECIAL ATTORNEY for the Issuer, hereby certify in connection with the \$1,860,000 aggregate principal amount of the Northern Wayne County

Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"), as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings set forth in the bond resolution of the Issuer duly adopted October 25, 2002, as supplemented by a supplemental resolution duly adopted November 25, 2002 (collectively, the "Bond Legislation"), and the Bond Purchase Agreement dated November 25, 2002 (the "Bond Purchase Agreement"), by and between the Issuer and the Underwriter.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Bonds, or the collection of the Net Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds, nor in any manner affecting the validity or enforceability of the Bonds, the Bond Legislation, the Continuing Disclosure Certificate or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Chairman, Secretary and the members of the public service board of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the issuance, sale and delivery of the Bonds or the refunding and payment of the Series 1989 B 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 1989 B Bonds by Commission Order entered October 2, 2002, in Case No. 02-1454-PSD-PC. The time for appeal of the Commission Order entered October 2, 2002, has expired prior to the date hereof. The Attorney for the Issuer makes no representations regarding this paragraph.

5. **AWARD OF BONDS; SIGNATURES:** The Bonds were awarded to Crews & Associates, Inc. (the "Underwriter"), upon a negotiated basis at the price of \$1,770,192.90 (par amount of \$1,860,000, less underwriter's discount of \$55,800, less original issue discount of \$34,007.10) plus accrued interest to the date of delivery of the

Bonds of \$2,627.22 (total of \$1,772,820.12). As of the date hereof, the Bonds were duly signed by the manual signature of the Chairman of the Issuer, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed thereon and attested by the manual signature of the Secretary of the Issuer.

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

Par Amount	\$1,860,000.00
Less: Underwriter's Discount	55,800.00
Original Issue Discount	34,007.10
Plus: Accrued Interest (December 1, 2002 to December 11, 2002)	<u>2,627.22</u>
Total	<u>\$1,772,820.12</u>

The Issuer has approved the wire transfer of \$155,376 from the Series 1989 B Bonds Reserve Account, held by the West Virginia Municipal Bond Commission, directly to the United States Department of Agriculture, Rural Utilities Service, the holder of the Series 1989 Bonds, to provide sufficient funds to defease the Series 1989 B 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 Certified Public Accountant

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

Continuing Disclosure Certificate

8. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer or the System of the Issuer since June 30, 2002. Upon defeasance of the Series 1989 B 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 1989 A Bonds and the Series 2001 A Bonds described in the Official Statement. The Series 1989 C Bonds are junior and subordinate to the Series 1989 A Bonds, the Series 2001 A Bonds and the Series 2002 A Bonds. The Issuer has obtained the consent of the holders of the Series 1989 A Bonds and the Series 2001 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 "Northern Wayne County Public Service District" and it is a public service district duly created by The County Commission of Wayne 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:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Steven L. Thompson	July 20, 1998	August 1, 2004
Patrick Myers	February 21, 2002	August 1, 2006
William Dunkle	February 25, 2002	March 1, 2008

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

Chairman	-	Steven L. Thompson
Secretary-Treasurer	-	Patrick Myers

The duly appointed general manager of the Issuer is Rebecca Ferman. The duly appointed and acting Counsel for the Issuer is Plymale & Maddox PLLC, Huntington, West Virginia.

11. **RATES:** The rates and charges for the System, as approved by the Public Service Commission of West Virginia on March 29, 1996, in Case No. 95-1035-PSD-42T, are in full force and effect. The Attorney for the Issuer makes no representations regarding this paragraph.

12. **DEFEASANCE OF THE SERIES 1989 B BONDS:** The funds on deposit with the Commission in the Series 1989 B Reserve Account and a portion of the Series 2002 A Bond proceeds are sufficient to fully pay the entire outstanding principal of, the redemption premium, if any, and all interest accrued on the Series 1989 B Bonds on December 11, 2002. As of the date of hereof, the Series 1989 B Bonds have been prepaid and refunded and the liens and pledges securing the Series 1989 B Bonds have been discharged and defeased, as acknowledged by a Receipt for Payment of Series 1989 B Bonds of the United States Department of Agriculture, Rural Utilities Service.

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

14. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 7.2(d); SUBSEQUENT EVENT: In addition to the foregoing, the undersigned hereby certify, as of the date hereof, that: (i) the representations and warranties made by the Issuer in the Bond Purchase Agreement are true and correct as of the Closing Date with the same effect as if made on the Closing Date; (ii) the Issuer has performed and complied with all agreements and conditions required by the Bond Purchase Agreement to be performed or complied with by it at or prior to the Closing Date; (iii) since the respective dates as of which information is given in the Official Statement, and except as set forth therein, there has not been any material or adverse change in the Issuer's condition, financial or otherwise; (iv) the Official Statement, insofar as it relates to the Issuer, does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (v) that subsequent to June 30, 2002, the date of the Issuer's most recent audited financial statements included as Appendix B of the Official Statement, there has been no material adverse change in the financial position or results of operations of the Issuer; (vi) that no litigation is pending or, to the knowledge of the Issuer, threatened against the Issuer or its officers (A) to restrain or enjoin issuance or delivery of any of the Series 2002 A Bonds or the collection of Revenues pledged under the Resolution, (B) in any way contesting or affecting any authority for the issuance of the Series 2002 A Bonds, or the validity of the Series 2002 A Bonds or the Bond Purchase Agreement, the Undertaking, the Tax and Non-Arbitrage Certificate (the "Bond Documents"), (C) in any way contesting or affecting the existence or powers of the Issuer or its ability to perform its obligations under the Bond Documents, or (D) that may materially adversely affect the financial condition or operations of the Issuer; (vii) that the Issuer has satisfied all conditions pertaining to the issuance of the Bonds pursuant to the Resolution and all other applicable provisions; and (viii) that no event affecting the Issuer or the transactions contemplated by the Official Statement or the Bond Documents has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used, or which it is necessary to disclose therein in order to make the statements and information therein, in the light of the circumstances under which they were made, not misleading.

Any excess balance in the Series 1989 B Debt Service Reserve Fund since the Bond Purchase Agreement and Official Statement date due to investment earnings posted by the Bond Commission, over the total required to pay the Series 1989 B Bonds on the Redemption Date will be deposited in the Series 2002 A Bonds Sinking Fund.

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

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

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

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

19. **USE OF BOND PROCEEDS:** The proceeds of the Series 2002 A Bonds not used to currently refund the Series 1989 B Bonds, fund a reserve account for the Series 2002 A Bonds and to pay costs of issuance of the Series 2002 A Bonds and other costs in connection with such refunding shall be deposited in the Series 2002 A Bonds Sinking Fund.

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

WITNESS our signatures and the official corporate seal of the NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT on this 11th day of December, 2002.

[CORPORATE SEAL]

Signature

Official Title

\_\_\_\_\_

Chairman

\_\_\_\_\_

Secretary

\_\_\_\_\_

Attorney

\_\_\_\_\_

Special Attorney  
(As to Paragraphs 4 and 11 only)

12/05/02  
664320.00002

\$1,860,000

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

TAX AND NON-ARBITRAGE CERTIFICATE

The undersigned, Chairman of Northern Wayne County Public Service District (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of the \$1,860,000 Sewer Refunding Revenue Bonds, Series 2002 A, of the Issuer, dated December 1, 2002 (the "Bonds"), hereby certifies as follows, all capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution adopted by the Issuer on October 25, 2002, as supplemented (collectively, the "Resolution"), pursuant to which the Bonds are issued:

A. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) counsel fees (including Bond Counsel, Underwriter's Counsel, Issuer's Counsel, Public Service Commission Counsel, and any other specialized counsel fees incurred in connection with the issuance of the Bonds);

(c) trustee fees and registrar fees;

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

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

"**Date of Issue**" means December 11, 2002.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

**"Issue Price"** means \$1,825,992.90 being the initial offering price to the public at which price a substantial amount of the Bonds is sold, and includes accrued interest on the Bonds. For this purpose, ten percent (10%) is a substantial amount, and the term "the public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price generally is the first price at which the Bonds are sold to the public, and the issue price will not change if part of the issue is subsequently sold at a different price. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of a bond issue for which a bona fide public offering is made is determined as of the sale date based on reasonable expectations regarding the initial public offering price. The Issue Price of the Bonds may not exceed their fair market value as of the sale date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. GENERAL

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

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

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

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on December 11, 2002, the date on which the Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

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

6. The Bonds were sold on December 11, 2002, to Crews & Associates, Inc. (the "Underwriter") for a purchase price of \$1,770,192.90 (par amount of \$1,860,000, less underwriter's discount of \$55,800, less original issue discount \$34,007.10) plus interest accrued thereon in the amount of \$2,627.22 (total of \$1,772,820.12).

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of providing monies, together with the monies transferred from the Series 1989 B Bonds Reserve Account, necessary (i) to currently refund the Series 1989 B Bonds on December 11, 2002; (ii) to fund a reserve account for the Bonds; and (iii) to pay costs of issuance of the Bonds and related costs.

8. [RESERVED]

9. The face amount of the Bonds is \$1,860,000. The sources and uses of proceeds of the Bonds and the monies transferred from the Series 1989 B Bonds Reserve Account in connection with the refunding of the Series 1989 B Bonds is as follows:

Sources

Par amount of Bonds	\$1,860,000.00
Accrued Interest (December 1, 2002, to December 11, 2002)	\$ 2,627.22
Transfer from Series 1989 B Bonds Reserve Account	\$ 155,376.00
Less: Original Issue Discount	\$ (34,007.10)
Total Sources	<u>\$1,983,996.12</u>

10. The proceeds of sale of the Bonds, together with the monies transferred from the Series 1989 B Bonds Reserve Account, will be applied as follows:

Uses of Funds

Refunding Series 1989 B Bonds	\$1,750,931.86
Total Underwriter's Discount	\$ 55,800.00
Costs of Issuance	41,632.04
Deposit to Series 2002 A Debt Service Fund	\$ 2,627.22
Deposit to Series 2002 A Reserve Fund (DSRF)	\$ 133,005.00
 Total Uses	 <u>\$1,983,996.12</u>

11. The Underwriter has stated, in its certificate, a copy of which is attached as EXHIBIT A - UNDERWRITER'S CERTIFICATE hereto (the "Underwriter's Certificate") that the Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than the respective prices shown on the cover page of the Official Statement for the Bonds, including interest accrued on the Bonds from December 1, 2002. The yield on the Bonds, as so computed, has been determined to be 5.5005682%, based on a "purchase price" equal to the Issue Price for the Bonds (including accrued interest thereon).

C. DEFEASANCE

1. Provision will be made for the payment of the Series 1989 B Bonds by \$1,595,555.86 from the proceeds of the Series 2002 A Bonds and \$155,376 from the Series 1989 B 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 1989 B Bonds as they become due on December 11, 2002, being the redemption date.

D. THE BONDS

- i. The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Bonds are detailed in the Bonds.
- ii. Using the initial offering price of the Bonds as the "purchase price" and taking into account accrued interest the yield on the Bonds is computed by the Underwriter to be 5.5005682% (the "Bond Yield").

- iii. A Sinking Fund for the Bonds is created under the Resolution. Monies deposited to the Sinking Fund (other than the Reserve Account therein), including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Bonds. The Bonds all bear interest at a fixed interest rate and the average maturity of the Bonds is in excess of 5 years. The Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Bonds within each Bond Year. All monies held in the Sinking Fund will be used to pay debt service on the Bonds. All Sale Proceeds of the Bonds deposited in the Sinking Fund will constitute accrued interest on the Bonds and will be applied to pay interest on the Bonds on the first interest payment date, being March 1, 2003. The Sinking Fund qualifies as a Bona Fide Debt Service Fund and all monies in the Sinking Fund will be invested without restriction as to yield and are not subject to rebate.
- iv. A Reserve Account within the Sinking Fund is created under the Resolution in an amount equal to the Maximum Annual Debt Service on the Bonds (the "Reserve Account Requirement"). The Reserve Account is being funded by monies from the Series 2002 A Bonds proceeds in the amount of \$133,005. The Reserve Account Requirement is equal to the maximum annual principal and interest requirements of the Bonds, is not in excess of 10% of the stated principal amount of the Bonds and is not in excess of 125% of the average annual principal and interest requirements of the Bonds. The monies in the Reserve Account will be invested without restriction as to yield. All earnings on amounts deposited in the Reserve Account will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate.
- v. A Renewal and Replacement Fund is created under the Resolution, to be funded through monthly deposits of Revenues in an amount equal to 2 1/2% of the Gross Revenues of the System. Absent an Event of Default on the Bonds, and depletion in full of the Reserve Account, the Renewal and Replacement Fund is not expected to be used for the purpose of paying Debt Service on the Bonds. Such monies will be invested without restriction as to yield and are not subject to rebate.
- vi. A Redemption Account is created under the Resolution. In the event monies are deposited into the Redemption Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

- vii. A Costs of Issuance Fund is created under the Resolution to be funded from proceeds of the Bonds in the amount of \$41,632.04, to pay costs of issuance of the Bonds. All such amounts shall be fully expended within 6 months from the date hereof. Pending such disbursement, such monies will be invested without restriction as to yield and are not subject to rebate.

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

- viii. Other than the funds and accounts described above, there are no other funds or accounts of the Issuer which (i) are reasonably expected to be used to pay Debt Service on the Bonds or which are pledged as collateral to secure repayment of Debt Service on the Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Bonds.
- ix. Accrued interest with respect to the Bonds in an amount less than 6 month's interest on the Bonds will be applied within one year from the date hereof toward the payment of interest first due on the Bonds, as detailed in the Schedules. Pending such disbursement, such monies will be invested without restriction as to yield.

E. REBATE OF EXCESS ARBITRAGE

1. Rebate Fund; Calculation of Rebate Amount.

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

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

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

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

(ii) For each Installment Computation Date with respect to Rebate Amounts specified in paragraph (iii) below, the Issuer shall compute the Yield on the Bonds as required by the Code and Regulations. If the Bonds are redeemed prior to their scheduled maturity, the Issuer agrees to seek the advice of Bond Counsel or other rebate expert to recompute the Yield on the Bonds as required by the Regulations.

(iii) For each Computation Date, the Issuer shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (i) above this section E(1)(c) that are allocable to Gross Proceeds of the Bonds. In addition, where Nonpurpose Investments are retained by the Bond Commission after retirement of the Bonds, any unrealized gains or losses as of the date of retirement of the Bonds must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(iv) In determining the Nonpurpose Investments that are allocable to Gross Proceeds of the Bonds, the Issuer shall consider the allocation rules set forth in the Regulations, including the rules relating to the Universal Cap. In general, the Universal Cap represents the maximum value of Nonpurpose Investments that

may be allocated to an issue of bonds and is determined by reference to the Value of all the outstanding bonds of the issue.

(v) For each Computation Date, the Issuer shall calculate for each Nonpurpose Investment described in paragraph (iii) above, an amount equal to the earnings which would have been received on such Nonpurpose Investment at an interest rate equal to the Yield on the Bonds as described in paragraph (ii) above. The method of calculation shall follow that set forth in the Regulations.

(vi) In determining the amount of any rebate computed pursuant to this section, all earnings on any Bona Fide Debt Service Fund to the extent such earnings do not exceed \$100,000 in any Bond year shall not be taken into account.

(vii) For each Computation Date, the Issuer shall calculate the Rebate Amount (computed from the Issue Date of the Bonds to each such Computation Date) by any appropriate method provided in the Code and Regulations that is applicable to the Bonds, taking into account any computation credit allowed thereunder. In determining the Rebate Amount, the Issuer shall account for the amounts determined under paragraphs (iii), (iv), and (v) above.

(viii) If the Rebate Amount exceeds the amount on deposit in the Rebate Account, the Issuer shall immediately pay that amount, or cause that amount to be paid, into the Rebate Account.

2. Payment to United States. (a) Installment Computation Dates. Unless the Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Bonds to each such Installment Computation Date).

(b) Final Computation Date. The Issuer shall pay to the United States, not later than sixty (60) days after the last outstanding Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date (computed from the date of issuance of the Bonds to the Final Computation Date).

(c) Mailing of Rebate Payment. Each Payment of an installment shall be mailed to the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be

accompanied by (i) a copy of IRS Form 8038-T, and (ii) the CUSIP number for the Bond with the latest maturity.

(d) Excess Balance in Rebate Fund; Excess Rebate Payments. If on the Rebate Payment Date the balance on deposit in the Rebate Fund is in excess of the Rebate Amount attributable to the Bonds, such excess may be withdrawn by the Issuer from the Rebate Fund. The Issuer may direct that any overpayment of rebate may be recovered from any rebate payment previously made to the United States under any procedure that may be permitted by the Code or the Regulations.

(e) Recordkeeping. In connection with the rebate requirement, the Issuer shall maintain (or cause to be maintained) the following records:

(i) The Issuer shall record all amounts paid to the United States pursuant to Section E(2) hereof.

(ii) The Issuer shall retain records of the rebate calculations until six years after the Final Computation Date.

(iii) The Issuer shall keep and record the data described in Section E(1)(c) hereof pertaining to the investment of the proceeds of the Bonds until six years after the Final Computation Date.

3. Rebate Analyst. (a) A Rebate Analyst shall be appointed to perform the rebate calculations, as required herein.

(b) The Issuer may rely conclusively upon the opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

4. Failure to Pay Rebate Amounts. In the event the Issuer fails to pay at the proper time and in the proper amounts, any Rebate Amount, it will pay the rebate amount plus interest within 180 days after discovery of such failure as set forth in Section 1.148-3(h)(3) of the Regulations. Notwithstanding the foregoing, in the event the Issuer fails to pay at the proper time and in the proper amount any Rebate Payment or correction amount, it hereby covenants and agrees to pay any penalty required by Internal Revenue Service in lieu of a declaration of taxability on the Bonds.

F. MISCELLANEOUS

1. The amount designated as "Cost of Issuance" of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds and refunding of the Series 2002 A Bonds.

2. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Ogden, Utah. The Form 8038-G attached hereto as EXHIBIT B - FORM 8038-G is, to the best of my knowledge, true and correct, and may be relied upon by Bond Counsel.

3. None of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, or will be used to make or finance loans to, any person who is not a governmental unit.

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

5. The Issuer shall use the proceeds of the Bonds solely to current refund the Series 1989 B Bonds to their redemption date; to fund a Reserve Account for the Bonds; and to pay costs of issuance thereof.

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

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

8. The Issuer has not entered and will not enter into any transaction to reduce the Yield on an investment of the Gross Proceeds of the Bonds so as to cause the amount to be rebated to the United States Treasury to be less than it would have been had the transaction been at arm's length and the Yield on the Bonds not been relevant to either party to the transaction, and that all investments of Gross Proceeds will be made on an arm's length, Fair Market Value basis.

9. On each Valuation Date, the Issuer agrees to value the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder in accordance with the Regulations. Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Bonds as of a Valuation Date shall

not be considered a violation of this provision if the application of the Universal Cap would not result in a reduction or reallocation of Gross Proceeds of an issue.

10. [RESERVED]

11. No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer or other related governmental agency that have been used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Bonds.

12. In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax and Arbitrage Certificate), including without limitation any arrangement under which money, securities, or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer or related governmental agencies with any registered owner of the Bonds.

13. The Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the Regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

14. No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds.

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

(a) the payment of principal of, interest on, and redemption premium for the Series 1989 B Bonds;

(b) the payment of pre-issuance accrued interest on the Bonds from December 1, 2002 to December 11, 2002;

(c) the payment of the Costs of Issuance of the Bonds;

(d) the payment of administrative costs allocable to repaying the Series 2002 A Bonds, or carrying and repaying the Bonds, or the reasonable investments of Proceeds of the Bonds;

(e) Transferred Proceeds allocable to expenditures for governmental purpose of the Series 2002 A Bonds;

(f) amounts deposited in the Sinking Fund (including investment earnings thereon) to pay debt service on the Series 2002 A Bonds; and

(g) qualified guarantee fees (within the meaning of the Regulations) for the Bonds or the Series 2002 A Bonds;

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

16. The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code and the Regulations thereunder.

17. The Issuer covenants to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be and continue to be excludable from gross income for federal income tax purposes.

18. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, and take all other actions required of it in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

19. The Issuer has retained the right to amend the Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Bonds from the gross income of the holders thereof.

20. The Issuer shall comply with all yield restrictions on Bond proceeds as set forth in the Code.

21. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest thereon. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such

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

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

23. Under section 1.148-2(b) of the Regulations, an officer of the Issuer must certify the issuer's expectations as of the issue date. In accordance therewith, the undersigned Chairman of the Issuer hereby in good faith certifies that the representations and covenants set forth in this Certificate constitute the reasonable expectations of the Issuer as of the Issue Date. Accordingly, the representations and covenants set forth herein are intended and may be relied upon as the certification described in section 1.148-2(b) of the Regulations and are being delivered as part of the record of proceedings in connection with the issuance of the Bonds.

24. The Issuer does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and bonds issued to currently refund any obligation of the Issuer) during the calendar year 2002 and hereby and in the Resolution designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

25. To the best of my knowledge, information and belief there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

26. Steptoe & Johnson PLLC is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

27. Notwithstanding any other provision hereof, any provision of this Tax and Arbitrage Certificate shall be amended at any time and such amendment shall be complied with, upon receipt by the Issuer of an opinion of Bond Counsel that such amendment is necessary or permissible under the then current Code and Regulations and is either necessary to or will not adversely affect the excludability of interest on the Bonds from gross income of the recipients thereof for federal income tax purposes.

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

WITNESS my signature this 11th day of December, 2002.

NORTHERN WAYNE COUNTY PUBLIC  
SERVICE DISTRICT

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Chairman

12/05/02  
664320.00002

UNDERWRITER'S CERTIFICATE

[Included in Transcript as Document No. 20]

EXHIBIT B

IRS FORM 8038-G

[Included in Transcript as Document No. 35]

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

REGISTRAR'S CERTIFICATE

The Huntington National Bank, Columbus, Ohio (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 Northern Wayne County Public Service District (the "Issuer") adopted October 25, 2002, 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.

WITNESS my signature on this 11th day of December, 2002.

THE HUNTINGTON NATIONAL BANK

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

12/03/02  
664320.00002

CH559619.1

EXHIBIT A - SERIES 2002 A BOND TERMS

TERM BONDS

<u>Bond No.</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
AR-1	66605P AA2	March 1, 2007	\$ 205,000	3.50%	100%
AR-2	66605P AB0	March 1, 2012	\$ 235,000	4.50%	100%
AR-3	66605P AC8	March 1, 2017	\$ 295,000	5.20%	100%
AR-4	66605P AD6	March 1, 2022	\$ 385,000	5.40%	97.654%
AR-5	66605P AE4	March 1, 2029	\$ 740,000	5.50%	96.625%

\$1,860,000  
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

UNDERWRITER'S CERTIFICATE

The undersigned Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, as purchaser of the above-captioned Bonds (the "Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement dated November 25, 2002, by and between Northern Wayne County 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 November 25, 2002, relating to the Bonds, including interest accrued on the Bonds from December 1, 2002 to December 11, 2002. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yield, shown on the cover of the Official Statement, including interest accrued on the Bonds from December 1, 2002, to December 11, 2002.

(b) The level of funding of the Reserve Account established by the Resolution authorizing issuance of the Bonds is reasonable and necessary because such an amount is required as a condition to marketing the Bonds at the interest rates and with the maturities established for the Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Bonds due to a temporary decrease in Net Revenues or increase in operating expenses. The amount to be maintained in the Reserve Account (\$133,005) 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 16.046 years.

(d) The remaining weighted average maturity of the Series 1989 B Bonds is \_\_\_\_\_ years.

(e) The net interest cost on the Bonds is 5.6541367% and the yield on the Bonds is 5.5005682%.

(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 11th day of December, 2002.

CREWS & ASSOCIATES, INC.

By: \_\_\_\_\_  
Its: Vice President

12/05/02  
664320.00002

(LETTERHEAD OF SOMERVILLE & COMPANY, P.L.L.C.)

December 11, 2002

Northern Wayne County Public Service District  
Sewer Refunding Revenue Bonds, Series 2002 A

Northern Wayne County Public Service District  
Post Office Box 775  
Lavalette, West Virginia 25535

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Commission Order of the Public Service Commission of West Virginia entered March 29, 1996, in Case No. 95-1035-PSD-42T, and the current operation and maintenance expenses and the existing number of customers as furnished to us by Northern Wayne County Public Service District (the "Issuer"), it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"), and all other obligations secured by or payable from the revenues of the System, on a parity with or junior to the Bonds, including all Prior Bonds of the Issuer as defined and described in the Bond Resolution of the Issuer adopted October 21, 2002, authorizing the Bonds.

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

Very truly yours,

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SOMERVILLE & COMPANY, P.L.L.C

10/16/02  
664320/00002

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

RECEIPT FOR PAYMENT OF SERIES 1989 B BONDS

The undersigned, authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture ("RUS"), the registered owner of the Sewerage System Revenue Bonds, Series 1989 B, dated February 15, 1989 (the "Prior Bonds"), of Northern Wayne County Public Service District (the "Issuer"), issued in the total original aggregate principal amount of \$1,950,000, hereby certifies that on the 11th day of December, 2002, RUS received \$1,750,931.86 from the Issuer and that such sum is sufficient to pay in full the entire outstanding principal of and all interest accrued on the Prior Bonds and discharge the liens, pledges and encumbrances securing the Prior Bonds.

WITNESS my signature on this 11th day of December, 2002.

RURAL UTILITIES SERVICE, UNITED STATES  
DEPARTMENT OF AGRICULTURE

By: \_\_\_\_\_  
Its: State Director

12/03/02  
664320.00002

CH560613.1

\$1,860,000  
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

ACCEPTANCE OF APPOINTMENT OF DEPOSITORY BANK

The Huntington National Bank, a national banking corporation, with its principal office in Lavalette, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Northern Wayne County Public Service District (the "Issuer"), adopted October 25, 2002, and a Supplemental Resolution of the Issuer adopted November 25, 2002 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Refunding Revenue Bonds, Series 2002 A, dated December 1, 2002, in the principal amount of \$1,860,000 (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 11th day of December, 2002.

THE HUNTINGTON NATIONAL BANK

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

12/03/02  
664320.00002

\$1,860,000  
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

REGISTRAR AGREEMENT

THIS AGREEMENT, dated as of the 11th day of December, 2002, by and between NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT, a public service district, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Columbus, Ohio, a national banking association (the "Bank").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$1,860,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2002 A, in fully registered form (the "Bonds"), pursuant to a Resolution adopted October 25, 2002, as supplemented (collectively, the "Bond Legislation");

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

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

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Agreement does appoint the Bank to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar, as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement, the Issuer hereby agrees to pay to the Bank, the compensation for services rendered as provided in the annexed fee schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Northern Wayne County Public Service District  
Post Office Box 775  
Lavalette, West Virginia 25535  
Attention: Chairman

REGISTRAR: The Huntington National Bank  
Corporate Trust - Columbus  
Business Service Center - EA4E63, 7 Easton Oval  
Columbus, Ohio 43219

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.

NORTHERN WAYNE COUNTY PUBLIC  
SERVICE DISTRICT

By: \_\_\_\_\_  
Its: Chairman

THE HUNTINGTON NATIONAL BANK

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

12/05/02  
664320.00002

EXHIBIT A

BOND LEGISLATION

[Included in Transcript as Document No. 1]

FEE SCHEDULE

\$1,860,000  
NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 A

CERTIFICATE OF REGISTRATION OF BOND

The Huntington National Bank, Columbus, Ohio, as Registrar under the Bond Legislation and Registrar's Agreement providing for the Sewer Refunding Revenue Bonds, Series 2002 A, of Northern Wayne County Public Service District (the "Issuer"), hereby certifies that on the date hereof, the fully registered Northern Wayne County Public Service District Sewer Refunding Revenue Bonds, Series 2002 A, of the Issuer, dated December 1, 2002, in the aggregate principal amount of \$1,860,000, numbered AR-1 through AR-5, were registered as to principal and interest in the name of "Cede & Co." in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 11th day of December, 2002.

THE HUNTINGTON NATIONAL BANK

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

12/05/02  
664320.00002

[LETTERHEAD OF WATER DEVELOPMENT AUTHORITY]

NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)

Sewer Refunding Revenue Bonds, Series 2002 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 Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewer Refunding Revenue Bonds, Series 2002 A (the "Bonds"), in the original aggregate principal amount of \$1,860,000, by Northern Wayne County 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 Sewerage System Revenue Bonds, Series 1989 A and the Sewerage System Design Revenue Bonds, Series 2001 A and senior and prior to the Subordinate System Revenue Bonds, Series 1989 C.

WITNESS my signature on this 11th day of December, 2002.

WEST VIRGINIA WATER DEVELOPMENT  
AUTHORITY

By: \_\_\_\_\_  
Its: Authorized Representative

12/05/02  
664320.00002

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